

Council Worksession

MEMORANDUM

May 5, 2008

TO: County Council

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: Worksession - Executive's FY09 Recommended Operating Budget
Department of Liquor Control (including the Board of License Commissioners)

- The Public Safety Committee unanimously recommends that the Council approve the Department of Liquor Control budget as submitted for \$39,228,000.
- The Committee recommends that 1) the proposal to change the policy and implement Sunday sales be reviewed by the Executive; 2) DLC pursue a pilot program for Sunday sales; 3) DLC conduct a comprehensive review of experience in other jurisdictions and collect data on the impact of Sunday sales on accidents and other incidents; 4) DLC analyze the impact of Sunday sales on DLC revenues; and 5) the Executive make a determination how revenues from Sunday sales would be used for addiction services.

Those expected for this worksession:

George Griffin, Director, Department of Liquor Control
Sunil Pandya, Chief of Administration
Kathie Durbin, Chief of Licensure, Regulation and Education
Gus Montes de Oca, Chief of Operations
Alison Dollar, Management and Budget Specialist, OMB

Overview

For FY09, the Executive recommends total expenditures of \$39,228,000 for the Department of Liquor Control, a 0.7% increase or \$282,380 over the FY08 approved budget. The Department of Liquor Control (DLC) Budget is on pages 67-1 to 67-8 of the Executive's Recommended FY09 Operating Budget and at ©2.

Liquor Control	FY07 Actual	FY08 Budget	FY09 CE Recommended	% Change FY08-FY09
Expenditures:				
Liquor Fund Expenditures	36,394,664	38,945,620	39,228,000	0.7%
Revenues	57,003,947	58,917,600	63,290,480	7.4%
Earnings Transfer - gen fund after indirect costs	20,003,470	19,723,700	27,452,610	39.20%
Positions:				
Full-time	252	260	264	1.5%
Part-time	60	60	60	0.0%
TOTAL Positions	312	320	324	1.3%
WORKYEARS	329.8 wy	340.6 wy	343.8 wy	0.9%

General Fund Transfer

The most significant issue in the DLC budget is the recommended FY09 transfer from the Liquor Fund to the General Fund. The recommended transfer is \$30,410,060 (earnings transfer after indirect costs \$27,252,610) which is 39.02 percent higher than the budgeted FY08 transfer. Sales are only up 5.43 percent in FY08 so the Executive's recommended FY09 transfer will be a challenge.

The department will have to achieve a 28 percent gross profit margin to achieve the FY09 transfer. The gross profit margin for FY07 was 27.3 percent and the year-to-date gross profit margin for FY08 is 27.2 percent. DLC is implementing various strategies to meet the recommended transfer.

Strategies to meet transfer	Council staff comments
Efficiencies and cost savings of \$2.5 Million	For the FY08 Savings Plan, DLC decreased miscellaneous operating expenses including training, education, computer supplies, office equipment and retail store improvements. Additional cuts and efficiencies will have to be taken again in FY09.
Inventory adjustments	DLC will discount inventory that is not selling. DLC will try to avoid "out of stock" problems for retail and wholesale customers.
Drawing down the Liquor Fund balance	The Liquor Fund balance is projected to go below policy level. The balance should be \$3.5 million and will be \$2.8 million.
Increased sales Sunday Sales	<p>-DLC is exploring with the Executive a change in policy to implement a pilot project for Sunday sales. Issues related to Sunday sales are - 1) DLC cannot immediately introduce Sunday sales in all stores without addressing labor allocation and union issues; 2) some Sunday sales would have been made on Saturday or Monday anyway; 3) overtime will reduce Sunday revenues; and 4) Sunday sales will compete with private beer and wine stores. See memo from Councilmember Floreen at ©1 recommending Sunday sales. Sunday sales are not included in the transfer number but may be needed in order to achieve the FY09 budgeted transfer amount.</p> <p>-Sales usually track the economy; DLC sales decreased in previous recession periods. As the economy slows, customers save money by buying less expensive products, by reducing restaurant eating and drinking, and by entertaining less.</p> <p>-A bill has been signed by the Governor to allow the sale of items commonly associated with the serving or consumption of alcoholic beverages e.g. corkscrews, mixers, etc.</p>
Targeted price increases	Selectively increasing some products in price may increase revenues without affecting most consumers.
Decrease cost of State transportation participation by \$2.6 million due to deferred bond payment.	Financing for some State transportation projects is appropriated through the Liquor Fund. Bonds targeted for transportation projects will not be ready for issue until FY10. The \$2,600,000 represents the debt service payment for these projects.

Sunday Sales

Attached at ©1 is a memorandum from Councilmember Nancy Floreen to the Public Safety Committee requesting that it consider and recommend that DLC retail stores open for sales on Sundays starting July 1. She believes that Sunday sales could net an additional \$1 million in the first year.

Same Services Adjustments

For FY09 the Executive recommends a net increase of 4 full-time positions and no increase for part-time positions. The FY09 CE budget recommendation for DLC is an increase of \$282,380. The increase can be attributed to some of the following identified same services adjustments.

Identified Same Services Adjustments:	
General Wage and Service Increment Adjustments	\$ 1,079,910
Additional cost to pre-fund retiree health insurance	\$ 438,410
Annualization of FY08 Personnel Costs	\$ 118,580
Annualization of FY08 Lapsed Positions	\$ 1,040,840
Group Insurance Adjustments	\$ 358,730
Retirement Adjustment	\$ 131,590
Motor Pool Rate Adjustments	\$ 63,460
Printing and Mail Cost Adjustments	\$ 17,590
Occupational Medical Services Adjustment	\$ 19,140
MLS Adjustment	\$ 17,750
Labor contracts - Other	\$ 10,890
Central Duplicating Deficit Recovery Charge	\$ 3,870
Charges from County Attorney	\$ (58,630)
Risk Management Adjustment	\$ (41,780)
NET SAME SERVICES ADJUSTMENT TOTAL	\$ 3,200,350

Executive's Working Capital Plan

The County Executive invites the Council's input for final County Executive decisions on the determination of adequate working capital within and use of resources in the Liquor Control Fund and net proceeds to be deposited to the General Fund. The DLC Working Capital Plan is the Executive's Recommended Operating Budget for DLC.

The Attorney General has written an opinion that states that policy decisions of the Director of the DLC are subject to the exclusive authority of the County Executive. The DLC is subject to the same requirements and procedures as are applicable under County law to any other County department except to the extent that ordinary County requirements or procedures would be inconsistent with the General Assembly's own decisions about the DLC. Under State law, the Director of the DLC and the Director of Finance -- with the approval of the County Executive -- are authorized to determine the portion of the DLC's "net profits" that are needed for working capital, after payment of debt service.

Lapse

Lapse in the DLC is budgeted at \$335,818 and 5.9 workyears for FY09. Due to the need for continuous sales personnel for retail and delivery operations, the DLC has found that the traditional County formula for lapse is not useful.

Annual Report

A copy of the Department of Liquor Control 2007 Annual Report is attached at ©15.

FY09 EXPENDITURE ISSUES BY PROGRAM

A. Warehouse Operations, p. 67-2

Warehouse Operations	
FY 08 Expenditures \$7,209,500	FY08 67.5 Workyears
FY 09 Expenditures \$7,508,210	FY09 66.4 Workyears
\$254,960	Lease for Southlawn Warehouse

Description: Management of the County's liquor warehouse including receipt and storage of over 10,000 different stock items and special orders by customers.

FY09 Changes: For workyears, there is a miscellaneous change (>1.0 wy) between Warehouse Operations, Delivery Operations and Retail Sales Operations. Also 1.0 workyear was transferred to the Accounting and Inventory Systems division.

There is an additional cost for the lease for the Southlawn Warehouse.

Southlawn Warehouse

The County signed a multi-year lease for the Southlawn Warehouse in late October. Architectural drawings were then drawn up and submitted to DPS. A permit was approved and construction for the DLC portion of the warehouse has taken place except for the garage door and security system. The DLC should be in the warehouse in May.

Audit

On April 7, 2008, the MFP Committee reviewed the KPMG audit of County Government Financial statements; specifically the Liquor Inventory Year-End Counts and noted a "Control Deficiency". The MFP Committee discussed the audit with DLC at that time and is included in this packet as an information item for Public Safety Committee members. The Southlawn warehouse will help address some of the inventory issues. Below is an excerpt from the audit and the County's response:

KPMG Audit – KPMG notes that the County has established policies and procedures governing year-end physical inventory count performed at the Liquor Warehouse. However, during test work performed during the County's year-end inventory count, KPMG noted

multiple differences between KPMG test counts and the counts performed by County warehouse personnel. This situation appears to be caused, in whole or in part, by the fact that the Liquor Warehouse is overcrowded and items are not grouped together according to their item code. KPMG recommends that the County ensure that established policies and procedures governing year-end physical inventory counts performed at the Liquor Warehouse are properly executed.

County Response – The County Executive reports that the DLC has modified its policies and procedures for the year-end inventory count to correct the occurrence of differing inventory counts. In future inventory counts, warehouse personnel will follow through with reconciling the auditors test count and use the agreed upon count as the final count for the inventory on hand. The DLC has leased additional storage space to address overcrowding of inventory at the current warehouse. In addition, the County Executive has proposed a plan for the relocation of the Liquor Warehouse, which will allow DLC to store inventory with similar item codes together. Re-engineered processes to increase efficiency in performing inventory counts within 24 hours rather than the previous 72 hours.

B. Delivery Operations, p. 67-2

Delivery Operations	
FY 08 Expenditures \$5,583,780	FY08 75.7 Workyears
FY 09 Expenditures \$5,822,320	FY09 75.3 Workyears
-\$75,000	Eliminate delivery truck replacement
\$63,460	Motor Pool rate adjustment

Description: Distribution of distilled spirits, wine and beer to licensees and County stores.

FY09 Change: For workyears, there is a miscellaneous change (>1.0 wy) between Warehouse Operations, Delivery Operations and Retail Sales Operations.

Replacement of four delivery trucks is budgeted for FY09. Funding for an additional truck has been eliminated.

C. Retail Sales Operations, p. 67-3

Retail Sales Operations	
FY 08 Expenditures \$16,176,180	FY08 151.4 Workyears
FY 09 Expenditures \$17,504,260	FY09 151.9 Workyears
\$255,020	Increase cost for store leases

Description: Retail sales of distilled spirits, wine and beer are handled through 24 County-operated outlets. In 1997 a bill was adopted by the State Legislature limiting County contracting of DLC retail operations to the four stores that were under contract at that time: Flower Avenue, Kensington, Muddy Branch, and Pike. The Kensington store reverted back to the County in December, 2001. The Muddy Branch and Pike stores reverted back to the County in 2005. The Flower Avenue store is the only County-contracted retail store.

FY09 Change: For workyears, there is a miscellaneous change (>1.0 wy) between Warehouse Operations, Delivery Operations and Retail Sales Operations.

Funds are budgeted for new lease agreements but not for personnel for new stores. DLC is focusing on relocating poor performing stores. Relocations in Bethesda and upcounty should increase sales.

In FY08 Public Safety Committee member Elrich suggested that the DLC establish "Flagship" stores where residents can buy products that are available in other jurisdictions. DLC is in the process of choosing flagship stores which will carry more products than other County stores. These stores will most likely be located in Bethesda and Gaithersburg.

In FY08 Committee member Knapp suggested that DLC's customer survey be structured to obtain comments on improving relations and customer service especially with licensees. Attached at ©11 is a copy of the November 2007 DLC retail customer survey. Customers seem to be satisfied with the service, product, price and location of the County retail stores. Most have no idea how much DLC contributes to the County General Fund. The department continues to work with wholesale customers on issues such as special orders, products, customer service and inventory.

D. Retail Contracted Operations, p. 67-3

Retail Contracted Operations	
FY 08 Expenditures \$190,650	FY08 0.0 Workyears
FY 09 Expenditures \$190,650	FY09 0.0 Workyears

Description: State Legislation permits the DLC Director to contract the operation of retail outlets only with those persons who had a contract in effect on January 1, 1997.

Staff comments: The Flower Avenue store is the only County-contracted retail store.

E. Accounting and Inventory Systems, p. 67-3

Accounting and Inventory Systems	
FY 08 Expenditures \$2,317,780	FY08 20.1 Workyears
FY 09 Expenditures \$2,979,290	FY09 23.6 Workyears
\$17,590	Printing and Mailing adjustments
\$3,870	Central Duplicating Deficit Recovery

Description: Provides accounting services for the department.

FY09: Accounting and Inventory Systems shows a net increase of 3.5 workyears of which 1.0 workyear is a transfer from Warehouse Operations, 1.0 workyear is a transfer from Licensure, Regulation and Education division, and the other 1.5 workyears is a new position for financial processing and increased accounts payable transactions.

F. Information Management, p. 67-3

Information Management	
FY 08 Expenditures \$1,819,060	FY08 9.1 Workyears
FY 09 Expenditures \$1,888,860	FY09 9.1 Workyears

Description: This program provides for the operation, maintenance and protection of all information technology initiatives in the department.

FY09: A new point-of-sale system (POS) has been piloted and is funded in FY09. An RFP has been issued for the new POS system.

G. Licensure, Regulation and Education, p. 67-3 & 67-4

Licensure, Regulation and Education	
FY 08 Expenditures \$1,584,660	FY08 14.3 Workyears
FY 09 Expenditures \$1,592,470	FY09 15.0 Workyears
-\$58,630; -0.3 wy	Decrease charges from County Attorney for transition

Description: This program includes issuing of beverage alcohol licenses; inspecting and investigating licensed facilities to ensure compliance with laws, rules and regulations. Also, this program works with the public, business, and County agencies to address alcohol control and education efforts.

FY09 Changes: Charges from the County Attorney's Office have been reduced because the shift of the Board of License Commissioners into the DLC has been completed and issues associated with the shift have been resolved.

The Licensure, Regulation and Education division reflects a 0.7 workyear increase. Two full-time positions were created and three part-time inspector positions were abolished and charges from the County Attorney's Office were reduced by .30 workyears. The two new full-time positions are a program manager to manage day-to-day administrative and hearing activities and an inspector for compliance monitoring. In addition, as explained above, a fiscal assistant was transferred to the Accounting and Inventory Systems.

The issue of licensing for the sale of alcoholic beverages at the Revenue Authority golf courses has been resolved. House Bill 1225 was signed by the Governor authorizing the Executive Director of the Revenue Authority to hold certain alcoholic beverage licenses for the limited use of public golf courses under the jurisdiction of the Revenue Authority.

Enforcement and Education: The division partners with the police, code enforcement, housing and HHS. The police alcohol unit is working with them to raise enforcement standards. The division has developed a better system to track enforcement efforts. In FY08 Public Safety Committee member Andrews suggested a column in the Gazette as a "How to Guide" for the community on enforcement efforts.

H. DLC Administration, p. 67-4

Administration	
FY 08 Expenditures \$4,064,010	FY08 2.5 Workyears
FY 09 Expenditures \$1,741,940	FY09 2.5 Workyears
-\$2,300,000	Decrease Cost of State Transportation Participation
-\$12,110	System Benefit Charge (charge back from Solid Waste)
-\$41,780	Risk Management Adjustment

Description: This program provides the administration and supervision for the DLC including information management functions.

FY09 Changes: Financing for some State transportation projects is appropriated through the Liquor Fund. Bonds targeted for transportation projects will not be ready for issue until FY10. The \$2,300,000 represents the debt service payment for these projects.

DLC BUDGET RECOMMENDATIONS

Based on the 1998 Maryland Attorney General's opinion, the Council has determined that it is more effective to provide general comments on the DLC budget (Working Capital Plan) rather than recommending increases, decreases or deferring particular line items.

- Council staff recommends approval of the Department of Liquor Control budget as submitted but cautions that the projected transfer is overly ambitious.

Public Safety Committee Discussion and Recommendation

Transfer: Committee members discussed with the DLC director the proposed 39.2 percent increase in the Liquor Fund transfer to the General Fund for FY09 and the challenge it will present to the department. The increase in the transfer is the largest amount and biggest percentage increase in DLC history. The DLC will need a gross profit of 28 percent to succeed. Chairman Andrews expressed confidence that the DLC could achieve the \$30 million transfer but noted that it would be a one-time occurrence.

Councilmember Knapp referred to page 23 in the Annual Report and asked what made the transfer amount in 2002 larger than in previous and subsequent years. DLC Director Griffin stated that he would get back to the Committee with an explanation (Subsequent to the worksession, DLC noted that there was a spike in 2002 because the liquor fund balance was above the new fund balance policy so a one-time amount was included in the transfer.)

Flagship Stores: Councilmember Elrich was pleased to see the "Flagship" store concept was being pursued. He felt it would benefit the County. Councilmember Elrich asked the Director to pursue the issue of the DLC subletting space in grocery stores to provide more locations and to address the

issue of one license per licensee affecting the grocery chains. Mr. Griffin stated that Pennsylvania sublets space in remote areas, and he will do some research on the idea.

Licensee Service: In response to questions, Mr. Griffin stated that DLC was continuing to work with County restaurants and licensees to improve service. One improvement is that licensees now receive a phone call if an order is not fully filled. A retail customer survey was done during the December 2007 holidays and DLC is developing a customer service survey for licensees with the assistance of OMB.

BLC: The director stated that the recent license renewal period went smoothly and that the BLC was working on improving efforts related to compliance checks. The BLC is coordinating with police and has developed a new tracking system to maintain data on compliance efforts. Violators are given administrative and criminal penalties at the same time when BLC coordinates efforts with the police. The compliance failure rate is higher than anticipated because BLC is going into places that have not been checked in a long time. Last year the BLC received \$80,000 in grant funding and the funding was used for educational purposes.

Sunday Sales: Sunday sales will require a change in County policy, and the County Executive has not made a determination as yet about a change. Sunday sales are not included in the transfer number but most likely will be needed to make the proposed transfer amount. Mr. Griffin stated that some jurisdictions have had a 9 percent increase due to Sunday sales and others a less than 4 percent increase in sales. The DLC has done the background work to consider Sunday sales, and the proposal will be fairly considered since it is a customer service issue. If the policy changes, DLC would start with a pilot program and stores would be open for one shift and pilot store locations will be distributed geographically. The Executive will be reviewing the Sunday sales policy in the next month. The director reminded Councilmembers that alcoholic beverages were currently available in the County on Sundays at the private wine and beer stores and in restaurants.

Councilmember Trachtenberg presented a copy of the article "Legalized Sunday Packaged Alcohol Sales and Alcohol-Related Traffic Crashes and Crash Fatalities in New Mexico" from the November 2006 American Journal of Public Health ©41. She wanted to know if discussions had taken place to fund addiction services from Sunday sales receipts. She advised that Sunday liquor sales could cause an increase in accidents and fatalities. If Sunday sales are implemented, then she asks that the County monitor the impact. She suggested that there should be a benefit to the general public if there is an impact from Sunday sales. Councilmember Elrich suggested that DLC ask the police for data by day of the week.

Committee Chair Andrews reminded Councilmembers that the Council's role is advisory and the DLC is a creature of the County Executive under State law. He summarized the consensus of the Committee: **The Committee recommends that 1) the proposal to change the policy and implement Sunday sales be reviewed by the Executive; 2) DLC pursue a pilot program for Sunday sales; 3) DLC conduct a comprehensive review of experience in other jurisdictions and collect data on the impact of Sunday sales on accidents and other incidents; 4) DLC analyze the impact of Sunday sales on DLC revenues; and 5) the Executive make a determination how revenues from Sunday sales would be used for addiction services.**

- **The Public Safety Committee unanimously recommends that the Council approve the Department of Liquor Control budget as submitted for \$39,228,000.**

Attachments: Memo from Councilmember Floreen © 1
DLC Budget © 2-10
Customer Survey © 11-13
DLC Annual Report © 14-40
Article from Councilmember Trachtenberg ©41
“Legalized Sunday Packaged Alcohol Sales and Alcohol-Related Traffic Crashes and
Crash Fatalities in New Mexico” American Journal of Public Health, November 2006

f:\ferber\09 budget\09 operating budget\dlc\dlc c 5-7-08.doc



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

NANCY FLOREEN
COUNCILMEMBER AT-LARGE

MEMORANDUM

TO: Phil Andrews, Chair, Public Safety Committee
FROM: Nancy Floreen, Councilmember
RE: Department of Liquor Control Budget

In this time of fiscal difficulty and in the spirit of improved customer service, I am requesting that the Public Safety Committee consider and recommend that the County's Department of Liquor Control Retail Stores open for sales on Sundays starting July 1.

Sunday hours would enable County employees to gain additional income, which, in this recessionary period, is always a plus. Sunday is the second busiest retail shopping day of the week, and having these stores open on Sundays would improve service to our residents and restaurants.

Currently 30 states, including Maryland, allow sale of hard liquor on Sundays, so opening our stores would only put us on an equal footing with the other counties in the state. And because the County Retail Stores do not sell cold beer, this change should have minimal affect on the beer and wine stores in the County.

I have been told that opening the stores on Sunday could net the County up to \$1 million in additional revenue during the first year. I think this is an opportunity we should not miss.

Cc: Isiah Leggett, County Executive
Tim Firestine, CAO
Councilmembers

Liquor Control

MISSION STATEMENT

The mission of the Department of Liquor Control (DLC) is to provide licensing, wholesale and retail sales of beverage alcohol products, enforcement and effective education and training programs, while promoting moderation and responsible behavior in all phases of distribution and consumption. The department diligently promotes, enforces and obeys all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.

BUDGET OVERVIEW

The total recommended FY09 Operating Budget for the Department of Liquor Control is \$39,228,000, an increase of \$282,380 or 0.7 percent from the FY08 Approved Budget of \$38,945,620. Personnel Costs comprise 63.2 percent of the budget for 264 full-time positions and 60 part-time positions for 343.8 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 36.8 percent of the FY09 budget.

The above projections and proposed expenditures form the basis for working capital decisions concerning the Liquor Enterprise Fund.

The following information is provided to facilitate County Council and public input for final County Executive decisions on the determination of adequate working capital within, and use of resources in, the Liquor Enterprise Fund and net proceeds to be deposited to the General Fund. Consistent with Article 2B, Section 15-207, the County Executive must make resource allocation decisions for the Fund.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ *Healthy and Sustainable Neighborhoods*
- ❖ *A Responsive, Accountable County Government*
- ❖ *Safe Streets and Secure Neighborhoods*
- ❖ *Strong and Vibrant Economy*

PERFORMANCE MEASURES

This table presents what the department estimates and projects will be the FY08 through FY10 data for its performance measures if there are no changes in funding.

Measure	Actual FY06	Actual FY07	Estimated FY08	Projected FY09	Projected FY10
Number of annual alcohol compliance checks	327	393	600	600	600
Percentage of compliance checks that are failed	13	13	11	12	12
Sales per retail associate (\$ thousands)	560	600	630	660	660
Retail sales as percentage of total sales	43	44	45	46	46
Percentage of wholesale customer satisfaction ¹	84	84	84	84	84
Percentage of retail customer satisfaction ²	97	97	97	97	97
Percentage of gross profit margin on sales	27.2	27.5	28	28	28
Percentage of annual sales growth	7.5	5.5	5	5	5

¹Rated satisfied and above

²Rated satisfied and above

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Achieved a high level of customer satisfaction in the retail and warehouse delivery operations accompanied with competitive prices led the Department to achieve its highest annual sales of \$201.7 million, an increase of 5.43%, which exceeded the target of 5%.*

- ❖ **Achieved a 97% satisfaction result in the retail customer survey and an 84% satisfaction result in wholesale operations from targeted training and promoting clearly defined expectations.**
- ❖ **Transfer \$30,410,060 to the General Fund in FY09.**
- ❖ **The Department authors an ongoing, monthly, online newsletter e-mailed countywide to PTAs and interest parents on youth alcohol prevention and local activities. Participants can also e-mail alcohol-related questions.**
- ❖ **Productivity Improvements**
 - **The Division of Licensure, Regulation and Education received grants for \$44,500 from multiple sources, which funded initiatives resulting in server training that yielded an average of 29% increase in knowledge; 94% of all establishments in Wheaton/Long Branch signed a code of conduct pledging to abide by all alcohol laws; 10 Cops in Shops details were held in various locations to assist business owners in combating over-service and underage sales; and a monthly ALERT training has been developed and implemented to assist licensees in understanding responsible sales and service.**
 - **The Department has re-engineered a number of processes to increase efficiency such as performing inventory counts within 24 hours vs. 72 hours; automating the verification of gallons purchased for excise tax collections, automating the production of a number of reports to save time and increase morale; automated process on the web to assist vendors and customers.**

PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Alison Dollar of the Office of Management and Budget at 240.777.2781 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Warehouse Operations

This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 14,000 different stock and special order items.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	7,209,500	67.5
Increase Cost: Southlawn Warehouse Lease	254,960	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	43,750	-1.1
FY09 CE Recommended	7,508,210	66.4

Delivery Operations

This program includes the distribution of distilled spirits, wine, and beer to licensed establishments and County retail stores.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	5,583,780	75.7
Decrease Cost: Elimination of One-Time Items Approved in FY08 (One Delivery Truck)	-75,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	313,540	-0.4
FY09 CE Recommended	5,822,320	75.3

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (24 County-staffed and operated and one contractor-operated) located throughout Montgomery County.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	16,176,180	151.4
Increase Cost: Retail Store Leases	255,020	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	1,073,060	0.5
FY09 CE Recommended	17,504,260	151.9

Retail Contracted Operations

Article 2B of the Annotated Code of Maryland allows the County to hire contractors to operate County liquor stores. The County must retain title to all retail stock until sold. The County Council adopted Council Resolution No. 12-452 on November 12, 1991, mandating that the County contract with qualified contractors to operate selected stores. The Kensington, Muddy Branch, and the Pike sites were selected for contracting, and in the Fall of 1992, contractor staff replaced the County employees. In Fall 1994, the Flower Avenue store became a contractor-operated facility. In December 2000, the Kensington store reverted to County operation. State legislation allows the Director of the Department of Liquor Control to contract the operation of a retail outlet only with those persons who had a contract in effect on January 1, 1997. In fiscal year 2005, two of the three contractor-operated facilities (Rockville Pike and Muddy Branch) reverted to County-staffed and operated stores. Flower Avenue remains as the sole contractor-operated retail store.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	190,650	0.0
FY09 CE Recommended	190,650	0.0

Accounting and Inventory Systems

This program provides accounting and financial services for the department. Staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	2,317,780	20.1
Increase Cost: Printing and Mail Adjustments	17,590	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge	3,870	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	640,050	3.5
FY09 CE Recommended	2,979,290	23.6

Information Management

This program provides for the design, operation, maintenance, and protection of all information technology initiatives of the department. These initiatives include the warehouse inventory system, the retail point-of-sale system, and numerous personal computer applications.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	1,819,060	9.1
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	69,800	0.0
FY09 CE Recommended	1,888,860	9.1

Licensure, Regulation, and Education

This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and

monitoring efforts with various agencies, departments, civic organizations, businesses, and individuals to provide and coordinate innovative programs and measures to ensure safe and vibrant communities relative to the service and consumption of beverage alcohol.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	1,584,660	14.3
Decrease Cost: Charges from County Attorney	-58,630	-0.3
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	66,440	1.0
FY09 CE Recommended	1,592,470	15.0

Administration

This program provides overall direction, administration, and supervision for the department.

FY09 Recommended Changes

	Expenditures	WYs
FY08 Approved	4,064,010	2.5
Decrease Cost: State Transportation Participation - Debt Service Other	-2,300,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-22,070	0.0
FY09 CE Recommended	1,741,940	2.5

BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	15,405,860	17,185,330	17,690,800	18,319,530	6.6%
Employee Benefits	5,034,571	5,944,570	5,686,680	6,469,190	8.8%
Liquor Control Personnel Costs	20,440,431	23,129,900	23,377,480	24,788,720	7.2%
Operating Expenses	13,311,246	11,551,120	10,370,910	12,549,680	8.6%
Debt Service Other	770,416	2,800,000	200,000	500,000	-82.1%
Capital Outlay	1,866,717	1,464,600	1,347,230	1,389,600	-5.1%
Liquor Control Expenditures	36,388,810	38,945,620	35,295,620	39,228,000	0.7%
PERSONNEL					
Full-Time	252	260	260	264	1.5%
Part-Time	60	60	60	60	—
Workyears	329.8	340.6	340.6	343.8	0.9%
REVENUES					
Liquor Licenses	0	1,300,000	1,350,000	1,350,000	3.8%
Miscellaneous/Investment Income	534,036	66,000	100,000	100,000	51.5%
Operating Revenue	56,469,911	57,168,700	58,713,110	61,501,980	7.6%
Liquor License Application Fees	0	153,000	160,000	160,000	4.6%
Liquor Enforcement Fines	0	200,000	150,000	150,000	-25.0%
Tobacco Enforcement Fines	0	20,000	20,000	20,000	—
Publication Sales - Alcohol Regulation	0	900	0	0	—
Fingerprint Processing Fee	0	9,000	8,500	8,500	-5.6%
Liquor Control Revenues	57,003,947	58,917,600	60,501,610	63,290,480	7.4%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	0	0	16,880	0	—
Employee Benefits	0	0	1,230	0	—
Grant Fund MCG Personnel Costs	0	0	18,110	0	—
Operating Expenses	5,854	0	9,390	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	5,854	0	27,500	0	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Latino Server Training Initiative Grant	5,854	0	27,500	0	—
Grant Fund MCG Revenues	5,854	0	27,500	0	—
DEPARTMENT TOTALS					
Total Expenditures	36,394,664	38,945,620	35,323,120	39,228,000	0.7%
Total Full-Time Positions	252	260	260	264	1.5%
Total Part-Time Positions	60	60	60	60	—
Total Workyears	329.8	340.6	340.6	343.8	0.9%
Total Revenues	57,009,801	58,917,600	60,529,110	63,290,480	7.4%

6

FY09 RECOMMENDED CHANGES

	Expenditures	WYs
LIQUOR CONTROL		
FY08 ORIGINAL APPROPRIATION	38,945,620	340.6
Other Adjustments (with no service impacts)		
Increase Cost: General Wage and Service Increment Adjustments	1,079,910	0.0
Increase Cost: Additional cost to pre-fund retiree health insurance on the multi-year schedule	438,410	0.0
Increase Cost: Group Insurance Adjustment	358,730	0.0
Increase Cost: Retail Store Leases [Retail Sales Operations]	255,020	0.0
Increase Cost: Southlawn Warehouse Lease [Warehouse Operations]	254,960	0.0
Increase Cost: Retirement Adjustment	131,590	0.0
Increase Cost: Annualization of FY08 Personnel Costs	118,580	3.5
Increase Cost: Motor Pool Rate Adjustment	63,460	0.0
Increase Cost: Occupational Medical Services (OMS) Adjustment	19,140	0.0
Increase Cost: MLS Adjustment	17,750	0.0
Increase Cost: Printing and Mail Adjustments [Accounting and Inventory Systems]	17,590	0.0
Increase Cost: Labor Contracts - Other	10,890	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge [Accounting and Inventory Systems]	3,870	0.0
Decrease Cost: System Benefit Charge	-12,110	0.0
Decrease Cost: Risk Management Adjustment	-41,780	0.0
Decrease Cost: Charges from County Attorney [Licensure, Regulation, and Education]	-58,630	-0.3
Decrease Cost: Elimination of One-Time Items Approved in FY08 (One Delivery Truck) [Delivery Operations]	-75,000	0.0
Decrease Cost: State Transportation Participation - Debt Service Other [Administration]	-2,300,000	0.0
FY09 RECOMMENDED:	39,228,000	343.8

PROGRAM SUMMARY

	FY08 Approved		FY09 Recommended	
	Expenditures	WYs	Expenditures	WYs
Warehouse Operations	7,209,500	67.5	7,508,210	66.4
Delivery Operations	5,583,780	75.7	5,822,320	75.3
Retail Sales Operations	16,176,180	151.4	17,504,260	151.9
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Inventory Systems	2,317,780	20.1	2,979,290	23.6
Information Management	1,819,060	9.1	1,888,860	9.1
Licensure, Regulation, and Education	1,584,660	14.3	1,592,470	15.0
Administration	4,064,010	2.5	1,741,940	2.5
Totals	38,945,620	340.6	39,228,000	343.8

CHARGES TO OTHER DEPARTMENTS

Recipient Department	Recipient Fund	FY08		FY09	
		Total\$	WYs	Total\$	WYs
LIQUOR CONTROL					
Health and Human Services	Grant Fund - MCG	67,150	1.0	72,130	1.0

FUTURE FISCAL IMPACTS

Title	CE REC.	(5000's)				
	FY09	FY10	FY11	FY12	FY13	FY14
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY09 Recommended	39,228	39,228	39,228	39,228	39,228	39,228
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	1,196	1,312	1,312	1,312	1,312
These figures represent the estimated cost of general wage adjustments, service increments, and associated benefits.						
Central Duplicating Deficit Recovery Charge	0	-3	-3	-3	-3	-3
This per employee charge will be eliminated in FY10.						
Retail Store Leases	0	202	415	637	637	637
The leases for 25 retail stores include annual escalation clauses.						
Retiree Health Insurance Pre-Funding	0	584	1,167	1,750	1,882	2,020
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Southlawn Warehouse Lease	0	28	29	30	31	0
DLC's portion for 50,560 square feet of additional lease space at the Southlawn Warehouse.						
State Transportation Projects	0	1,280	5,150	4,925	4,800	4,700
Financing for the State Transportation Participation CIP Project No. 500722 and the Glenmont Metro Parking Expansion CIP Project No. 500552.						
Subtotal Expenditures	39,228	42,515	47,298	47,879	47,887	47,894

FY09-14 PUBLIC SERVICES PROGRAM: FISCAL PLAN				DEPARTMENT OF LIQUOR CONTROL			
FISCAL PROJECTIONS	FY08 ESTIMATE	FY09 REC	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	3.1%	2.8%	2.4%	2.5%	2.5%	2.5%	2.5%
Investment Income Yield	4.5%	2.5%	3.5%	4.0%	4.5%	4.8%	5.0%
BEGINNING FUND BALANCE	9,785,190	10,202,870	2,855,290	3,596,130	4,815,350	6,580,000	9,163,560
REVENUES							
Licenses & Permits	1,510,000	1,510,000	1,546,240	1,584,900	1,624,520	1,665,130	1,706,760
Charges For Services	8,500	8,500	8,700	8,920	9,140	9,370	9,600
Fines & Forfeitures	170,000	170,000	174,080	178,430	182,890	187,460	192,150
Total Miscellaneous	1,688,500	1,688,500	1,729,020	1,772,250	1,816,550	1,861,960	1,908,510
Gross Profit	58,713,110	61,501,983	64,269,572	67,161,703	70,183,979	73,342,258	76,642,660
Investment Income	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenues	60,501,610	63,290,483	66,098,592	69,033,953	72,100,529	75,304,218	78,651,170
INTERFUND TRANSFERS (Net Non-CIP)	(22,920,470)	(30,410,060)	(22,842,870)	(20,516,480)	(22,456,640)	(24,833,810)	(27,433,810)
Transfers To Debt Service Fund	(770,420)	0	0	0	0	0	0
Liquor Revenue Bonds-Transportation Projects	0	0	0	0	0	0	0
Short Term Lease-Liquor Warehouse	(770,420)	0	0	0	0	0	0
Transfers To The General Fund	(22,150,050)	(30,410,060)	(22,842,870)	(20,516,480)	(22,456,640)	(24,833,810)	(27,433,810)
Indirect Costs	(2,312,990)	(2,321,850)	(2,598,490)	(2,610,110)	(2,610,110)	(2,610,110)	(2,610,110)
Earnings Transfer	(19,723,700)	(27,452,610)	(19,563,700)	(17,373,700)	(19,498,700)	(22,223,700)	(24,823,700)
TOTAL RESOURCES	47,366,330	43,083,293	46,111,012	52,113,603	54,459,239	57,050,408	60,380,920
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(35,095,620)	(38,728,000)	(38,728,000)	(38,728,000)	(38,728,000)	(38,728,000)	(38,728,000)
Debt Service: Other: State Transportation Projects	(200,000)	(500,000)	(1,780,000)	(5,650,000)	(5,425,000)	(5,300,000)	(5,200,000)
Labor Agreement	n/a	0	(1,196,150)	(1,312,380)	(1,312,380)	(1,312,380)	(1,312,380)
Southlawn Warehouse Lease	n/a	n/a	(28,140)	(28,980)	(29,850)	(30,750)	0
FFI - Central Duplicating			3,470	3,470	3,470	3,470	3,470
FFI - Retiree Health Insurance Pre-Funding	n/a	n/a	(584,060)	(1,167,360)	(1,750,480)	(1,882,190)	(2,020,490)
FFI - Retail Stores	n/a	n/a	(202,000)	(415,000)	(637,000)	(637,000)	(637,000)
Subtotal PSP Oper Budget Approp / Exp's	(35,295,620)	(39,228,000)	(42,514,880)	(47,298,250)	(47,879,240)	(47,886,850)	(47,894,400)
OTHER CLAIMS ON CASH BALANCE	(1,867,840)	(1,000,000)	0	0	0	0	0
TOTAL USE OF RESOURCES	(37,163,460)	(40,228,000)	(42,514,880)	(47,298,250)	(47,879,240)	(47,886,850)	(47,894,400)
YEAR END CASH BALANCE	10,202,870	2,855,290	3,596,130	4,815,350	6,580,000	9,163,560	12,486,520
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	21.5%	6.6%	7.8%	9.2%	12.1%	16.1%	20.7%

Assumptions:

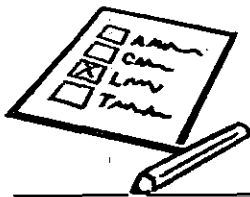
1. Ending cash balance = One month's Operating Expenses, One Payroll, and \$1.5M for inventory.
2. Net Sales growth estimated at 4.5% per year.
3. Operating Revenue growth estimated at 4.5% per year.
4. Operating Expenses grow with Major Known Commitments and not CPI.
5. The labor contract with the Municipal and County Government Employees Organization, Local 1994 expires at the end of FY10.
6. Effective FY08, financing for State transportation projects is appropriated in the Department of Liquor Control.

SCHEDULE A-4

Fiscal Summary By Fund

	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Bud/Rec
To Tax Supported Funds	-409,740	-423,590	-423,590	-553,010	30.6%
Total NET INTER-FUND TRANSFERS	-1,224,930	-1,185,860	-1,185,860	-1,519,550	28.1%
Total Resources	5,187,478	5,231,560	5,066,590	5,528,090	5.7%
APPROPRIATION/EXPENDITURE					
Appropriation/Expenditure	-4,885,064	-4,791,220	-5,026,360	-5,277,860	10.2%
Adjustment for Prior Year Encumbrances/Reserves	-1,505	0	0	0	—
Total APPROPRIATION/EXPENDITURE	-4,886,569	-4,791,220	-5,026,360	-5,277,860	10.2%
Total Use of Resources	-4,886,569	-4,791,220	-5,026,360	-5,277,860	10.2%
PROJECTED FUND BALANCE	300,909	440,340	40,230	250,230	-43.2%
Liquor Control					
BEGINNING CASH BALANCE	9,247,170	8,264,370	9,785,190	10,202,870	23.5%
REVENUES					
Licenses & Permits	0	1,453,000	1,510,000	1,510,000	3.9%
Charges for Services	0	9,900	8,500	8,500	-14.1%
Fines & Forfeitures	0	220,000	170,000	170,000	-22.7%
Miscellaneous	57,003,947	57,234,700	58,813,110	61,601,980	7.6%
Total REVENUES	57,003,947	58,917,600	60,501,610	63,290,480	7.4%
NET INTER-FUND TRANSFERS					
To Non-Tax Supported Funds	0	-770,420	-770,420	0	—
To Tax Supported Funds	-22,149,060	-22,150,050	-22,150,050	-30,410,060	37.3%
Total NET INTER-FUND TRANSFERS	-22,149,060	-22,920,470	-22,920,470	-30,410,060	32.7%
Total Resources	44,102,057	44,261,500	47,366,330	43,083,290	-2.7%
APPROPRIATION/EXPENDITURE					
Appropriation/Expenditure	-36,388,810	-36,145,620	-35,095,620	-38,728,000	7.1%
Debt Service - Other	0	-2,800,000	-200,000	-500,000	-82.1%
Adjustment for Prior Year Encumbrances/Reserves	2,071,945	0	0	0	—
Total APPROPRIATION/EXPENDITURE	-34,316,865	-38,945,620	-35,295,620	-39,228,000	0.7%
CLAIMS ON FUND					
Set Aside: Future Needs	0	-2,000,000	-1,867,840	-1,000,000	-50.0%
Total Use of Resources	-34,316,865	-40,945,620	-37,163,460	-40,228,000	-1.8%
PROJECTED CASH BALANCE	9,785,192	3,315,880	10,202,870	2,855,290	-13.9%
DEBT SERVICE					
Debt Service - Non-Tax Supported					
BEGINNING FUND BALANCE	0	0	0	0	—
NET INTER-FUND TRANSFERS					
From Non-Tax Supported Funds	0	770,420	770,420	1,850,000	140.1%
Total Resources	0	770,420	770,420	1,850,000	140.1%
APPROPRIATION/EXPENDITURE					
Debt Service - Other	0	-770,420	-770,420	-1,850,000	140.1%
Total Use of Resources	0	-770,420	-770,420	-1,850,000	140.1%
PROJECTED FUND BALANCE	0	0	0	0	—
MONTGOMERY COUNTY PUBLIC SCHOOLS					
Grant Fund MCPS					
BEGINNING FUND BALANCE	0	0	0	0	—
REVENUES					
Intergovernmental	81,430,127	78,551,453	78,551,453	78,369,827	-0.2%
Total Resources	81,430,127	78,551,453	78,551,453	78,369,827	-0.2%
APPROPRIATION/EXPENDITURE					
Appropriation/Expenditure	-81,430,127	-78,551,453	-78,551,453	-78,369,827	-0.2%
Total Use of Resources	-81,430,127	-78,551,453	-78,551,453	-78,369,827	-0.2%
PROJECTED FUND BALANCE	0	0	0	0	—
Enterprise Funds					
Food Service Fund					
BEGINNING CASH BALANCE	6,051,889	6,051,889	5,223,970	5,223,970	-13.7%
REVENUES					

10



The Department of Liquor Control 2007 Retail Store Customer Survey

In November 2007, store personnel received and distributed 1,500 copies of the retail survey to customers at check-out. A total of 1,351 were returned and the results are detailed below.

1. Customer Service:

Responses regarding staff friendliness, professionalism, helpfulness and product knowledge:

	<u>Satisfactory</u>	<u>Unsatisfactory</u>	<u>N/A (or Blank)</u>
Friendliness	94.8%	2.4%	2.8%
Professionalism	84.8%	2.8%	12.4%
Helpfulness	87.7%	2.8%	9.6%
Product Knowledge	72.2%	3.6%	20.2%

2. Product Selections and Price:

Responses regarding wine, distilled spirits and beer selections, and price:

	<u>Satisfactory</u>	<u>Unsatisfactory</u>	<u>N/A (or Blank)</u>
Wine selection	80.1%	7.1%	12.8%
Wine price	74.6%	8.9%	16.5%
Distilled spirits selection	75.1%	2.7%	22.3%
Distilled spirits price	67.0%	8.0%	25.0%
Beer selection	42.4%	14.9%	42.7%
Beer price	40.0%	12.4%	47.6%

3. Change in current State law to sell additional products in retail stores:

Responses regarding approving the sale of cork screws, drink mixers, etc.

<u>Yes</u>	<u>No</u>	<u>N/A (or Blank)</u>
71.2%	21.4%	7.4%

4. Knowledge of General Fund contribution:

Responses regarding knowledge of the Department of Liquor Controls' net profit transfers to the General Fund for resident services:

<u>Yes</u>	<u>No</u>	<u>N/A (or Blank)</u>
27.8%	69.8%	2.4%

**The Department of Liquor Control
2007 Retail Store Customer Survey
Page 2**

5. Order of Importance Ranking (1-4; with 1 being most important):

Responses regarding customer's reasons for shopping at DLC retail stores:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>N/A (or Blank)</u>
Convenient location	60%	13%	12%	10%	5%
Prices	32%	28%	19%	12%	8%
Product selection	26%	31%	23%	12%	8%
Staff	18%	14%	17%	42%	9%

6. Montgomery County Wine and Spirits Comparison:

Responses regarding customer's rating of DLC retail stores compared to other retail stores:

	<u>Better Than</u>	<u>The Same</u>	<u>Not as Good</u>	<u>N/A (or Blank)</u>
Convenient store location	32.9%	54.7%	8.5%	3.9%
Parking	27.3%	52.4%	16.4%	3.9%
Assistance from staff	56.5%	31.6%	5.5%	6.3%
Product availability	46.4%	36.3%	9.9%	7.4%
Store attractiveness	25.8%	48.3%	17.4%	8.5%
OVERALL	40.7%	44.0%	5.9%	9.4%



The Department of Liquor Control 2007 Retail Store Customer Survey

Number of Survey Responses by Store

Auburn Avenue	38
Burtonsville	60
Cabin John	54
Chevy Chase	50
Cloverly	42
Diamond Square	36
Falls Grove	74
Flower	37
Gaithersburg	41
Kensington	21
Kingsview	56
Leisure World	124
Milestone	62
Montgomery Village	52
Montrose	52
Muddy Branch	44
Olney	79
Pike	70
Potomac	9
Silver Spring	58
Twinbrook	45
Walnut Hill	38
Westwood	62
Wheaton	57
White Oak	90
Total	1,351



DEPARTMENT OF LIQUOR CONTROL

Isiah Leggett
County Executive

George F. Griffin
Director

MEMORANDUM

March 4, 2008

TO: Elected Officials
and
Community Leaders

FROM: George F. Griffin, Director
Department of Liquor Control

SUBJECT: FY 2007 Annual Report

I am pleased to submit to you the Montgomery County Department of Liquor Control Annual Report for fiscal year 2007.

We are proud of our efforts to improve the quality of service provided to the residents of Montgomery County, while maintaining the significant revenue contribution we are able to make to the County's General Fund. Please do not hesitate to contact me if you have any questions or comments.

If you need additional copies of this annual report, please contact Christine Williams at 240.777.1903 or Christine.williams@montgomerycountymd.gov.

Montgomery County, Maryland

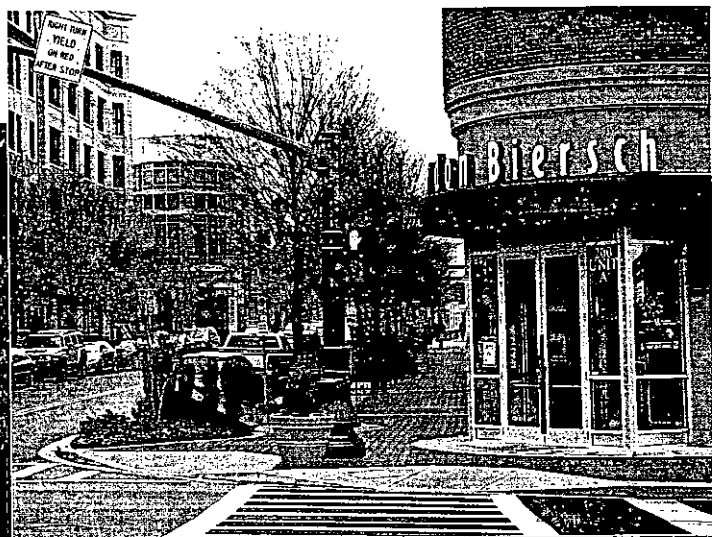
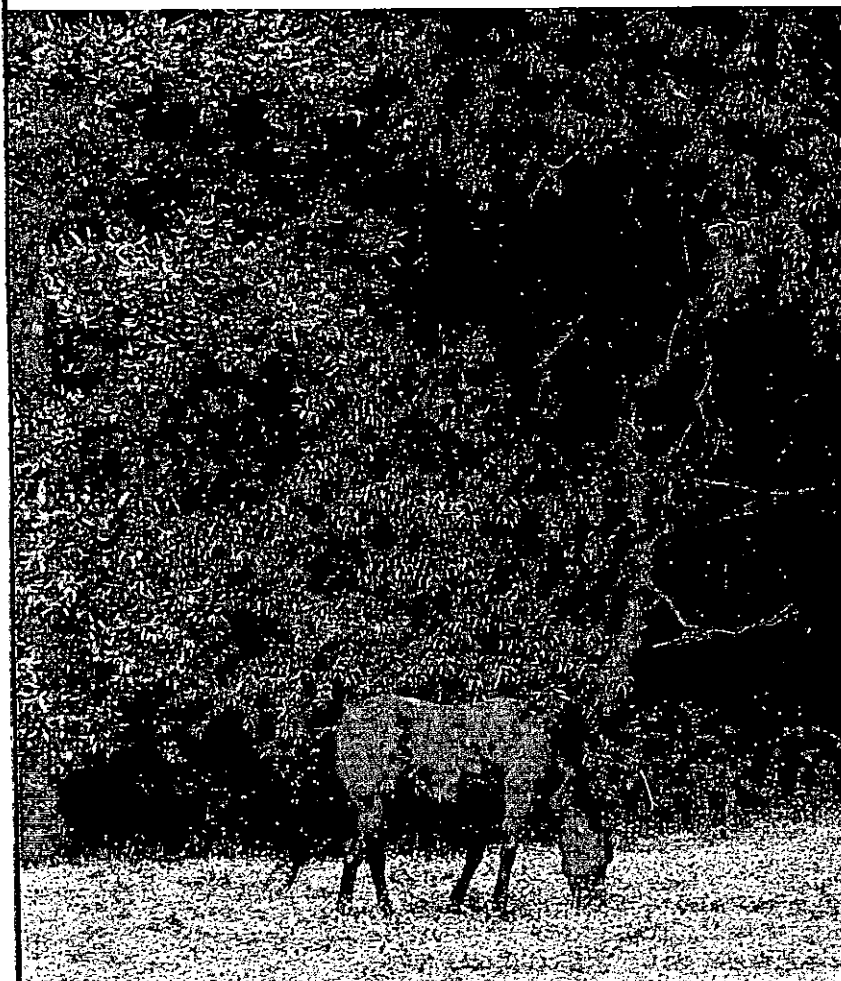
Department of Liquor Control

2007 Annual Report



Contents

Organizational Chart.....	2	Financial Information	16
Letter From the Director	3	Sales Allocation Information.....	17
The Control Jurisdiction Advantage.....	4	Warehouse/Retail Sales	
The Control Distribution System Works the		Case Depletion Information	
Way the Community Wants It To Work.....	6	Results of Operations.....	18
Division of Licensure, Regulation, and Education	7	Net Income	
Helping Our Businesses Succeed by		Net Sales	
Providing What They Need	8	Sales Allocation Information.....	19
Latino Initiative Accomplishments	9	Retail vs. Wholesale Sales	
Sharing Our Success Story.....	10	Annual Cases Shipped from Warehouse	
Benefits of Our Activities	11	Sales in Total and By Division.....	20
Paul Hill Discusses Special Orders	12	Sales Analysis	
Wholesale and Retail Operations.....	13	Net Sales by Cost Center	
Customer Service Is a Top Priority.....	14	General Fund Transfers	22
Store Locations	15	Looking Ahead	24



Welcome to Montgomery County

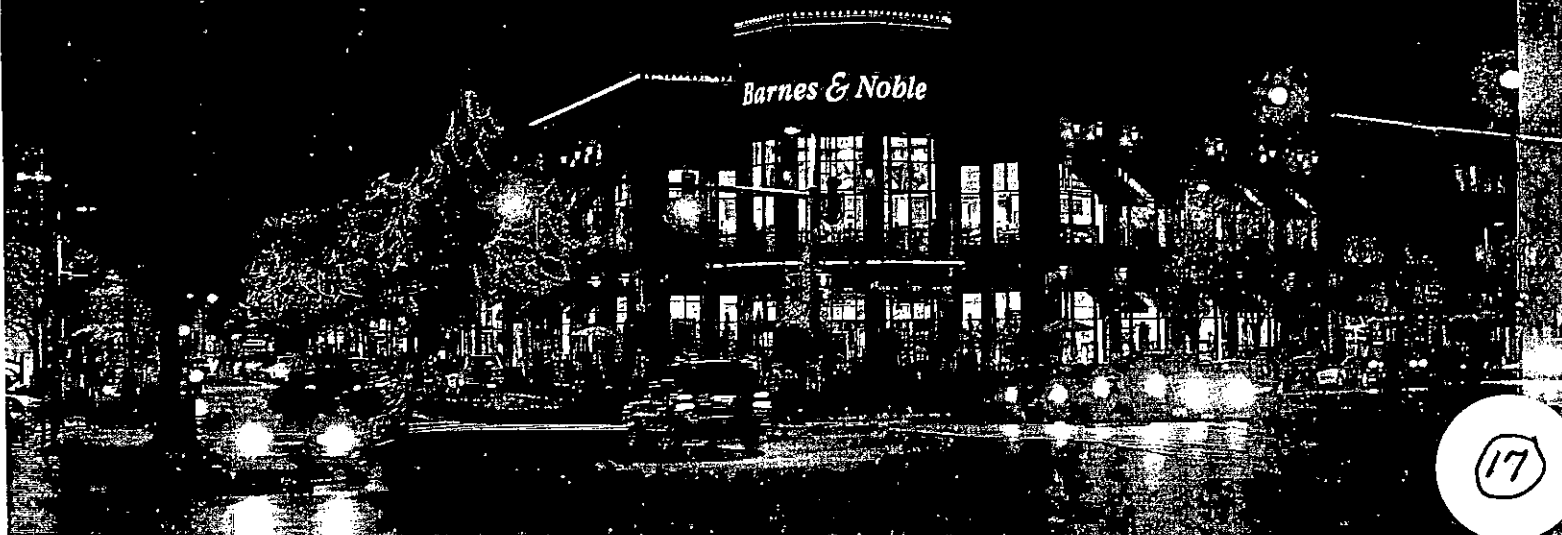
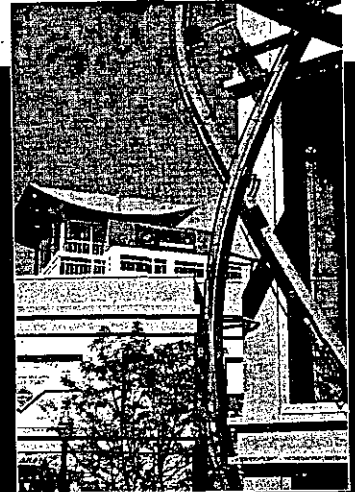
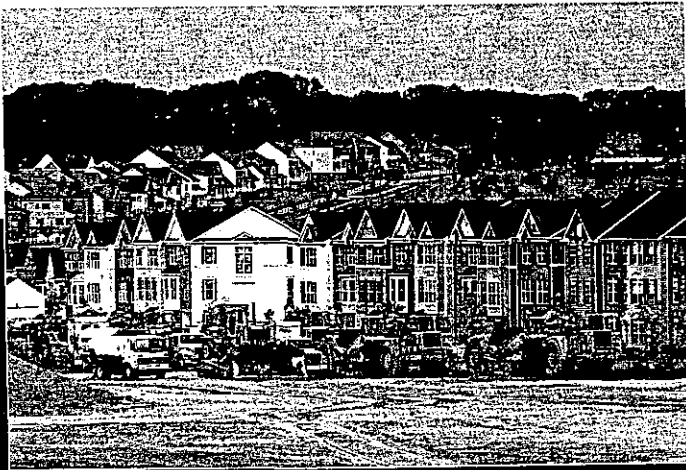
Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 495.52 square miles of land area and 10 square miles of lakes and streams.

Historical and cultural sites vie for residents' time with nature and sports opportunities such as hiking, camping, fishing, boating, golfing, and organized sports.

With more than 900 of the finest restaurants and entertainment venues and with a large number of shopping areas, from sophisticated, up-scale shops to the region's most impressive malls to outlets, craft stores, and antique marts, Montgomery County is a special place indeed.

Some facts about our county and our residents:

- The 2006 census estimate shows that 16.6 percent of the total Maryland population lives in Montgomery County. At the same time, just 5.1 percent of total land area in Maryland is located in Montgomery County. The Census Bureau reports that Montgomery County has 1,760.8 persons per square mile, compared with 541.9 for all of Maryland.
- 26.7 percent of the Montgomery County population was born outside of the United States, compared with 9.8 percent for all of Maryland
- 31.6 percent of the Montgomery County population over 5 years old speaks a language other than English at home, compared with 12.6 percent for all of Maryland
- 54.6 percent of the Montgomery County population over 25 years of age holds a bachelor's degree or higher, compared with 31.4 percent for all of Maryland



Organizational Chart



Director
George F. Griffin



**Chief of Licensure,
Regulation and Education**
Kathie Durbin



Chief of Administration
Sunil S. Pandya



Chief of Operations
Gus Montes de Oca

**Licensure and Staffing
for the Board of License
Commissioners**

**Administration
(Budget, HR, Facilities
Management)**

**Purchasing and Portfolio
Management, Inventory**

**Regulation
(Alcohol and Tobacco
Inspections)**

**Finance
(A/P, A/R, Pricing,
Financial Reporting)**

**Wholesale Operations
(Sales, Warehousing &
Delivery)**

**Education, Training,
Development of Community
Alliances**

**Information Technology
(Wholesale, Retail &
Financial Systems)**

**Retail Operations
(Sales, Promotions,
Marketing)**

Letter From the Director

As our fiscal year ends on June 30, 2007, we look back on a very successful year. Fiscally, total sales increased 5.4 percent over FY 2006 as gross sales of product totaled \$201,721,589. Over \$111 million resulted from wholesale operations while nearly \$90 million was generated by retail sales in our county-owned retail wine and spirits shops. These gross sales figures are in addition to all taxes, regulatory fees, and enforcement revenues collected over the year. Retail sales continue to demonstrate strong growth, with an increase of 7.4 percent over the same period a year ago.

Our challenge over the next few years will be to maintain a favorable gross profit margin in order to continue to ensure a robust revenue contribution to Montgomery County's General Fund. With many of our fixed costs of operations projected to increase substantially over the next few years, we continue to identify efficiencies and create revenue growth in a responsible manner.

Operationally, we have successfully completed a reorganization that consolidates all alcohol-related government functions within the Department of Liquor Control. The newly constituted Division of Licensure, Regulation and Education provides a comprehensive service to our licensees and the local hospitality industry by combining traditional regulatory functions with community and trade partnering.

This one division issues all alcohol licenses and coordinates in-house alcohol enforcement activities with those of the Police Department. In addition, this office creates programs and partnerships with outside resources to offer unique training opportunities that benefit the entire community.

One such program is the Latino Initiative, which is funded primarily from grants and uses a culturally competent state-certified trainer to methodically and inclusively bring Latino-owned and -operated businesses into the community network so they can develop an attachment to the community and work to solve problems that can arise as a result of the inappropriate sales and service of beverage alcohol. We talk more about the Latino Initiative in the following pages.

Delays caused by the possible relocation of the warehouse are winding to a close and we will know sometime in FY 2008 if we will undertake a significant expansion of our warehouse distribution center, or if we will have the opportunity to relocate to a larger location. Either way, we will gain the space we need and provide better working conditions for our employees and enhanced product quality controls of our inventory. We should see significant progress in the implementation of a new retail point-of-sale system and a new warehouse management system. We also look forward to the county-wide implementation of an ERP system that will upgrade the budget process and financial processing and reporting.



**We look forward to a
promising year in FY 2008**

George F. Griffin

Director, Montgomery County Liquor Control

The Control Jurisdiction Advantage

When Prohibition was repealed in 1933, the process of determining the method of regulation of alcohol beverages fell to the citizens of the United States who decided by jurisdiction how they could best balance individual freedom with the social risks and public costs of beverage alcohol abuse. The result is that all U.S. residents experience some type of governmental control over the sales and/or distribution of beverage alcohol.

Nearly 75 years later, those jurisdictions that chose to operate under the control system continue to do so today. The control distribution system has withstood the test of time because it is fundamentally sound. It is flexible enough to adapt and evolve to meet the changing demands of consumers. Montgomery County Liquor Control and its counterparts throughout the nation have helped to maintain a high quality of life in the community, by continuing to evolve as an effective customer-oriented service organization.

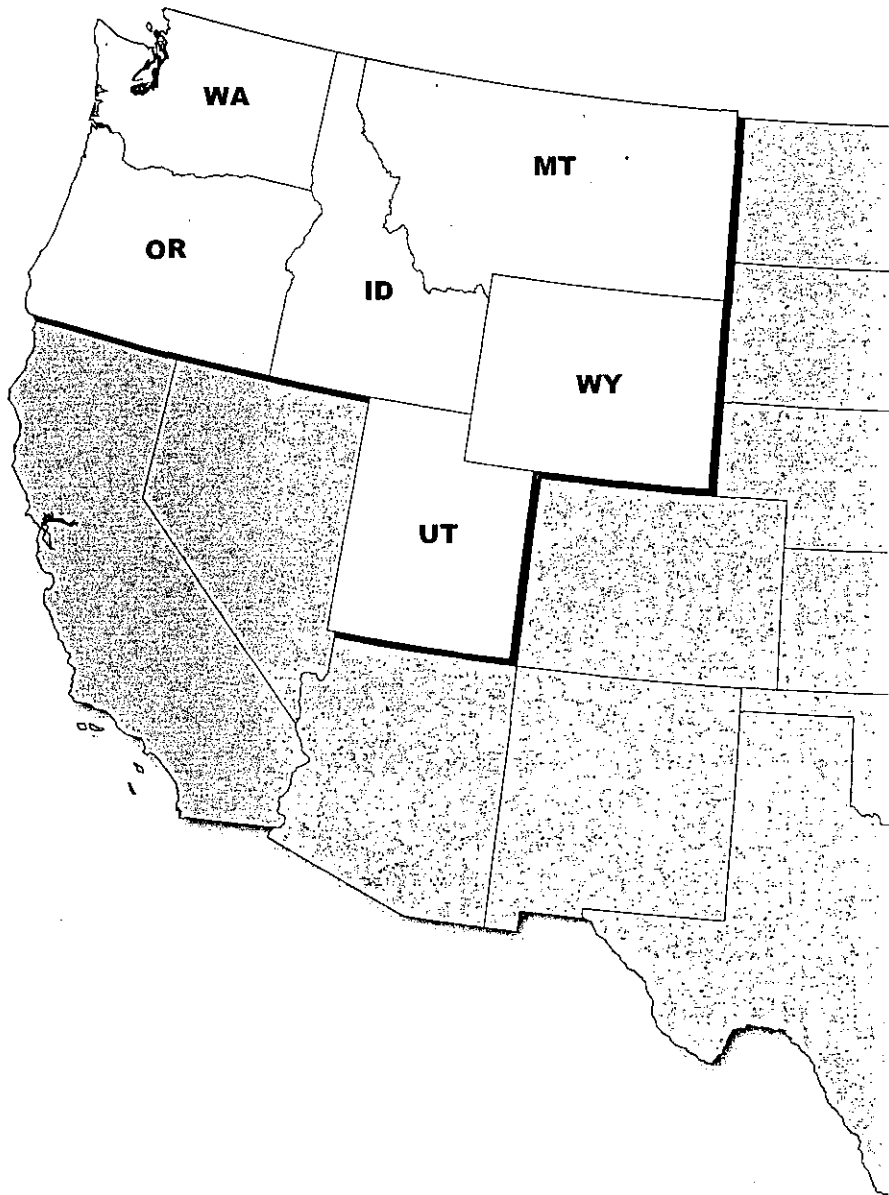
Residents of Montgomery County are in good company—28 percent of the U.S. population operates under the control distribution system—where policies that support moderate and responsible consumption replace economic incentives, and proceeds from the sale of beverage alcohol go directly to the residents rather than to private sellers.

By participating in the marketplace, the control jurisdictions are able to serve their citizens with a broader and more flexible range of policy options to promote moderation in the consumption

No property, state, or other local taxes are used to support control distribution system operations

of alcohol beverages and reduce alcohol abuse. Another value of the control distribution system is that it operates solely on the revenue derived from beverage alcohol sales in its jurisdiction. No property, state, or other local taxes are used to support control distribution system operations.

Montgomery County is proud to be a control distribution jurisdiction, and the Montgomery County Department of Liquor Control continues to evolve to optimize the benefits of the control jurisdiction, while improving wholesale and retail services to customers.



National Alcohol Beverage Control Association (NABCA) Members

**Residents of Montgomery County
are in good company—28 percent of
the U.S. population operates under
the control distribution system**

Alabama

Idaho

Iowa

Maine

Michigan

Mississippi

Montana

Montgomery County, MD

New Hampshire

North Carolina

Ohio

Oregon

Pennsylvania

Utah

Vermont

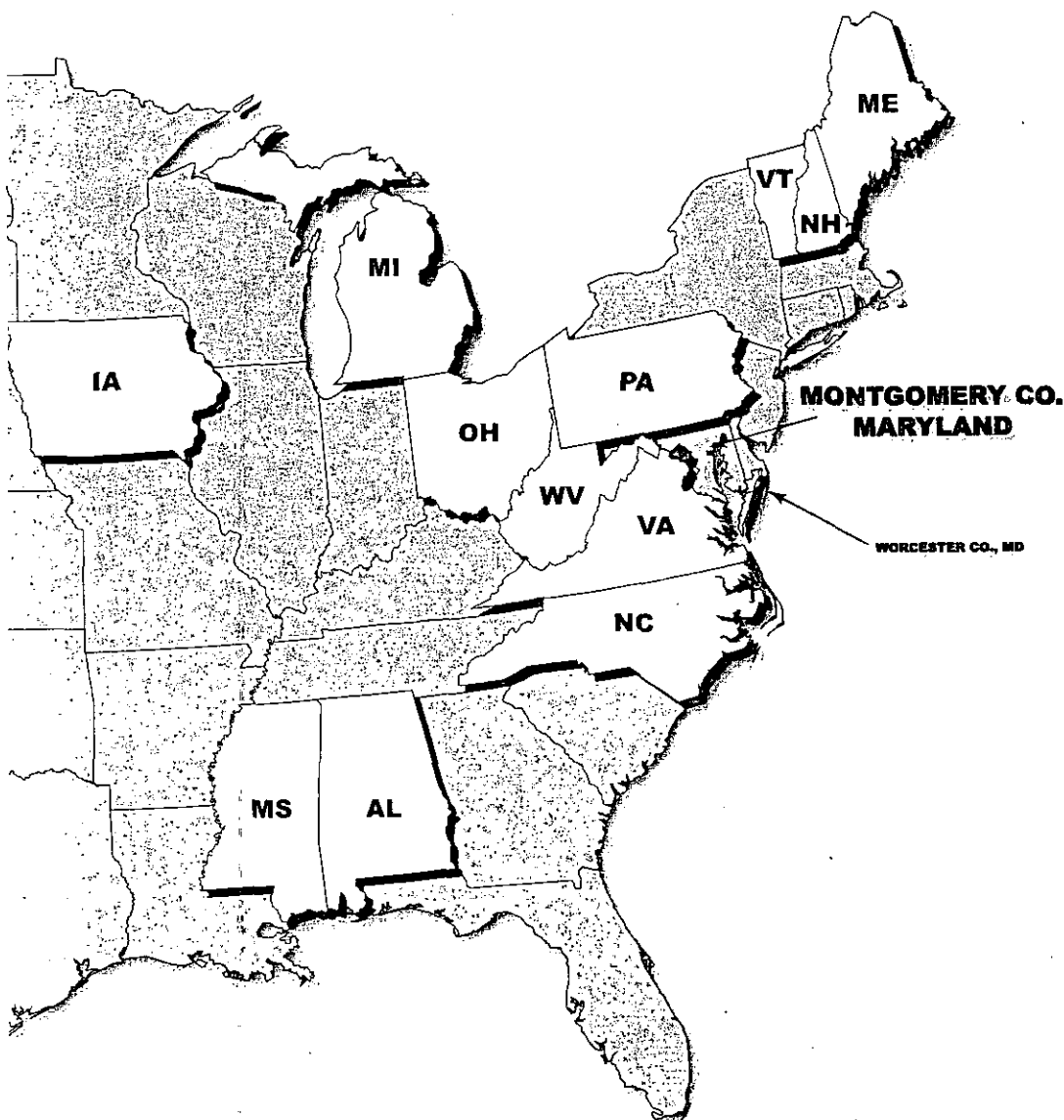
Virginia

Washington

West Virginia

Worcester County, MD

Wyoming



The Control Distribution System Works the Way the Community Wants It To Work

The National Alcohol Beverage Control Association (NABCA), established in 1937, represents the control distribution system jurisdictions and Montgomery County is proud to be a member. NABCA has its headquarters in the Washington D.C. area and serves as an information clearinghouse and a resource for its members. It compiles statistical reports and annual surveys of control distribution system operations.

NABCA also serves as the liaison for the control jurisdictions to the federal government, the 32 license states, and the alcohol beverage industry. The association's role in public alcohol education and awareness programs is becoming increasingly important. In recent years, NABCA has funded initiatives to address binge drinking on college campuses and other problems of abusive drinking. The association sponsors an annual National Alcohol Education Symposium, bringing together government, academic, medical and other public service organizations with the objective of better understanding alcohol abuse and finding better ways of sharing that understanding with our communities.

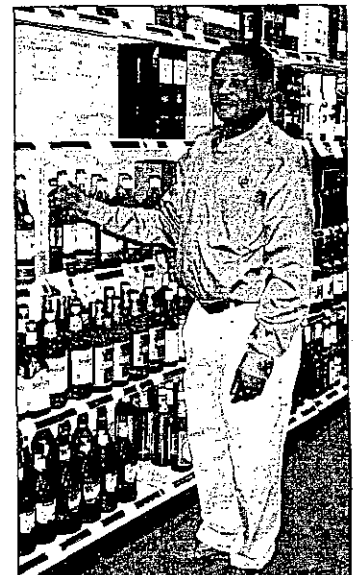
The essential point here is that the control distribution system model can be applied very flexibly to address a wide range of public moderation, revenue, and consumer service goals. Each control distribution system jurisdiction can tailor its system to respond very

directly to the policy objectives of its constituents. Those objectives have evolved over the past seven decades, as public attitudes toward drinking have changed and as the demand for state revenues has increased. In response, the control distribution systems have transitioned from their origins as "dispensaries of last resort" to their role today as efficient, consumer-oriented service agencies.

The control distribution system model can be applied very flexibly to address a wide range of public moderation, revenue, and consumer service goals

The control distribution systems have focused on the delicate balancing of the following goals:

- Responding to customer concerns
- Generating revenue for valuable and necessary programs
- Improving the overall safety of communities through education, regulation and enforcement
- Providing high-quality service to their customers.



Atsou Amouzou, retail associate

Division of Licensure, Regulation, and Education

Building Community Alliances



Emily DeTitta, education manager, leads a tobacco training

The consolidation of all beverage alcohol services in the Department of Liquor Control ensures a comprehensive benefit for Montgomery County license holders, managers, and the local hospitality industry by combining traditional regulatory functions with community and trade partnering. The newly created Division of Licensure, Regulation and Education issues all alcohol licenses, coordinates in-house alcohol enforcement activities with those of the Montgomery County Police Department, and creates effective programs and partnerships with outside resources that benefit the entire community.

One of the goals of this division is to continue to make a significant contribution to the quality of life in Montgomery County by helping to ensure safe streets, secure neighborhoods, and healthy communities. A critical step to achieve this goal is to become a trusted part of the diverse communities in Montgomery County and a leader in molding the norms of our communities in regard to beverage alcohol sales and service.

New Business Alliance Model Helps Communities Develop Comprehensive Alcohol Plans

The Division of Licensure, Regulation, and Education has completed the critical first steps to building community awareness by conceptualizing and implementing the business alliance model. This fluid model is designed to guide and facilitate communication in communities by bringing together different forces in that community that are interested in beverage alcohol issues to develop comprehensive plans to positively mold the norms of the community. To date, the following Montgomery County communities have taken advantage of the business alliance model and the assistance of Montgomery County Liquor Control to strengthen and revitalize their communities: Wheaton, Long Branch, Takoma Park, Gaithersburg, and Bethesda. The Division of Licensure, Regulation, and Education will continue to promote the business alliance concept in FY 2008 to all communities.

Business Alliance Model: Participating Communities

Wheaton

Long Branch

Takoma Park

Gaithersburg

Bethesda



Left, Ron Price, inspection and field enforcement supervisor, leads an A.L.E.R.T. training. Right, Dr. Sonia Nieves (left) and Kathie Durbin, chief of licensure, regulation and education, (right) work with a licensee.



Division of Licensure, Regulation and Education

Helping Our Businesses Succeed by Providing What They Need

Building Community Alliances

The Division of Licensure, Regulation, and Education applied for and received \$11,500 in grant funding to assist them in achieving their goals in 2007, and has already secured \$37,000 for FY 2008 programs. Here is how the 2007 money was put to use.

Spotlight

The Latino Business Alliance—an ongoing campaign that includes free state-certified alcohol policy seminars, business intervention and technical assistance, and networking opportunities.

In the course of working with various community leaders and businesses, the Division of Licensure, Regulation and Education found common needs throughout the county: a need to better understand the social responsibilities that accompany alcohol sales and service, and a need for information on where to turn for help. To address these needs, the division began offering training and education using the following tools:

- Culturally competent state-certified alcohol server training
- Owner/manager policy seminars
- Risk assessment strategies
- The Business Code of Conduct, a signed agreement where business owners and operators commit to responsible sales and service practices
- Combined enforcement and business assistance through The Century Council's Cops in Shops® program
- Enhanced enforcement through the Extra Eyes program, a Montgomery County Police initiative where citizens are trained by police to work outside businesses to report violations occurring in parking lots or surrounding areas
- Informational programs designed for targeted groups, such as children and lawmakers



Above, Dr. Sonia Nieves leads a server training class.



Congratulations to the Latino Initiative-Server Training program for winning the prestigious Montgomery's BEST Partnership Award!

Business Alliance Partners

Maryland Highway Safety Office • Montgomery County Department of Liquor Control • Montgomery County States Attorney's Office • Montgomery County Department of Public Works and Transportation • Montgomery County Department of Permitting Services • Wheaton Redevelopment Association • Montgomery County Police (4th District and Alcohol Unit) • Montgomery County Park Police • Metro Transit Police • Montgomery County Fire and Rescue • Extra Eyes • Montgomery County Board of License Commissioners • The Century Council • Maryland Hospitality Education Foundation

Latino Initiative Accomplishments, Summer 2007

It is in everyone's best interest to ensure that
Montgomery County businesses succeed!

196 servers have received alcohol training, with an average **29 percent** increase in knowledge on pre- and post-tests.

140 servers in Wheaton, Long Branch, and the crossroads in Rockville, have received State-Certified Alcohol Awareness certifications. Another **56 servers** were trained without certification. Research indicates that Responsible Beverage Service Training (RBS) programs are an effective strategy that has a significant impact on servers' knowledge, base and beliefs regarding service to intoxicated patrons and minors (Howard Pitney et al. 1991; McKnight 1991; Molof 1991).

32 establishments within the business district in downtown Wheaton have received a door-to-door intervention.

94 percent of all establishments approached in Wheaton and Long Branch signed the county code of conduct, agreeing to abide by all alcohol laws and serve their community responsibly.

10 cops in Shops® details were held (5 in Wheaton, 3 in Long Branch, and 2 in Rockville) with overtime funding from the Latino Grant, bringing together DLC inspectors, local county police, and alcohol unit officers. Extra Eyes volunteers were trained and supported in these police details.



65% DE LOS NIÑOS QUE CONSUMEN ALCOHOL INDICA QUE LO OBTIENEN DE SUS FAMILIARES Y AMIGOS.

Estamos haciendo nuestra parte por mantener las bebidas alcohólicas fuera del alcance de los niños, ¿y tú? A continuación te ofrecemos algunas sugerencias:

1. Habla con tus hijos sobre el alcohol
2. Se un buen ejemplo para tus hijos
3. No apruebes el consumo de alcohol por menores de edad
4. Enfatiza que consumir alcohol es ilegal para los menores de edad
5. Supervisa a tus hijos, incluyendo su acceso y uso de la Internet
6. Observa el comportamiento de tus hijos y busca ayuda cuando sea necesario

Hay que trabajar juntos para mantener a los niños libre de alcohol.
VISITA WWW.CENTURYCOUNCIL.ORG

THE CENTURY COUNCIL

**IT'S A LITTLE KNOWN FACT
THAT OF THE KIDS WHO DRINK, 65%**

say they get their alcohol from family and friends. We're doing our part to keep alcohol out of kids' hands. Here are some tips on what you can do:

1. Talk with Your Child About Alcohol
2. Be a Good Role Model
3. Disapprove of Underage Drinking
4. Reinforce that Underage Drinking is Against the Law
5. Supervise Your Child Including Their Online Activities
6. Recognize Problem Behavior and Seek Help When Necessary

LET'S WORK TOGETHER TO KEEP KIDS ALCOHOL-FREE.
VISIT WWW.CENTURYCOUNCIL.ORG

THE CENTURY COUNCIL
Dedicated to fighting drunk driving
and underage drinking

BACARDI U.S.A., INC. • BROWN-FORMAN • CONSTELLATION BRANDS, INC. • CRUZAN LTD • DIAGEO
FUTURE BRANDS LLC • HOOGE RIVER DISTILLERS, INC. • PERNOD RICARD USA • SIDNEY FRANK IMPORTING CO., INC.

Sharing Our Success Story

Speaking Engagements—The Division of Licensure, Regulation, and Education promoted the benefits of a control distribution jurisdiction through speaking engagements. Director George Griffin and division chief Kathie Durbin promoted the control model and assisted groups in 2007. Following are some of their activities:



George F. Griffin, director, speaks at a media event

- Served as a panelist at the Federal Trade Commission's kick-off event on the "We Don't Serve Teens" National Campaign

- Served on the Senior Fire Safety Task Force (SFSTF) and wrote portions of the SFSTF final report in 2007 on alcohol and drug use trends among seniors

- Spoke on the topic of host responsibility at the National Alcohol Beverage Control Administrator's Conference in Philadelphia, PA

- Spoke on control distribution jurisdictions and outreach measures at the Safe and Drug Free Schools Symposium

- Spoke on "Trends Across the Atlantic: Late Night Entertainment Districts" at the Responsible Hospitality Institute

- Spoke on the impact of server training on responsible hospitality at the Responsible Retailing Forum in Arlington, VA

- Spoke on social host responsibility, state laws, and accountability at the annual Maryland Association of Prevention Professionals and Advocates (MAPPA)

- Spoke on hospitality and alcohol laws at the University of Maryland at Shady Grove

- Spoke on control jurisdictions and alcohol trends and challenges at the Maryland Highway Safety Office

- Gave a presentation on Montgomery County alcohol prevention programs at the National Highway Traffic Safety Administration National Review of Alcohol Programs

- Gave a presentation on combating underage drinking at the annual budget meeting of the Substance Abuse and Mental Health Services Administration (SAMSHA)

- Participated in discussions with the Maryland State Comptrollers Office regarding smoking bans

- Spoke on tobacco laws, resources, and education efforts to the Montgomery County Smoke Free Coalition

- Presented information about the control distribution jurisdiction system and licensing to the Wheaton Urban Advisory

- Spoke on beach week to parents at a Wootton High School PTA meeting

Debbie Goodwin, licensure manager



Montgomery County Councilmember Duchy Trachtenberg speaks to students at St. Mary's School



Congratulations to Kathie Durbin for winning the prestigious Montgomery's BEST Exceptional Service Award for sustained excellence!

Benefits of Our Activities

Other Division of Licensure, Regulation, and Education Accomplishments in 2007

Ongoing Media Campaigns—The division secured funding for, planned, and implemented numerous educational campaigns in Montgomery County, including the Century Council's Cops in Shops®, Girl Talk, Adults Who Host Lose the Most; Don't Be a Party to Underage Drinking, and Start Talking Before They Start Drinking. These campaigns include print materials in several languages, online promotions, and media events. These promotions serve to emphasize public safety by educating communities and businesses on alcohol laws and the consequences of breaking the laws.

Safety Alliance—The division facilitated a highly successful, and now annual, meeting that brings together code enforcement specialists (health code, fire code, noise abatement, police officers, liquor inspectors and others) to share information on violation issues related to licensed establishments. Participants also shared how situations are resolved, discussed departmental programs and resources, and how to disseminate information to licensees with the help of the Department of Liquor Control.

Alcohol Law Education and Regulation Training (ALERT)—The division implemented a comprehensive, three-hour alcohol law and best practices training for new businesses selling/serving alcohol. The training is currently held the first Monday of each month at the Department of Liquor Control. This training is also heavily used by The Board of License Commissioners as a referral for licensees who have violated the law. Training is free and open to the public. The ALERT training covers an explanation of the control distribution system, alcohol laws and regulations, liability issues, policies and best practices, and an introduction of public safety services available through the department. ID books and point-of-sale materials are offered at no cost.

Tobacco Retailer Training—The division designed and implemented a comprehensive, three-hour training for managers and staff of establishments that sell tobacco on tobacco law and regulations, policies, and best practices. Free ID books and point-of-sale materials are offered. Trainings are free for all participants and are conducted by division staff at the establishment's request.

SafeNet—The division initiated a monthly, online newsletter that is e-mailed county-wide to PTAs and interested parents. It addresses youth alcohol prevention and local activities. Participants can also send their alcohol-related questions by e-mail.

Promoter Training—The division hosted a July training on policies, legality issues, and available resources to promoters who work in Montgomery County-licensed businesses.

Participation in Substance Abuse and Mental Health Services (SAMSHA) National

Teach-In Campaign—The division sponsored an event at St. Mary's School in Rockville, Maryland, for sixth graders. Local leaders spoke on the dangers of underage drinking and alcohol abuse. The children received free T-shirts and participated in a workshop following the program.

Montgomery County Alcohol Trends Brochure—The division designed and distributed 1,500 Montgomery County Alcohol trends "Alcohol through the Ages" brochures to consumers through the 25 county-owned liquor stores. The pamphlet describes the control distribution jurisdiction system, risks of underage drinking, adult issues such as drunk driving and providing alcohol to minors, as well as alcohol concerns relating to seniors.

Please have your ID ready!

Montgomery County, Maryland **We Check ID's!**

It's the LAW

**You must Be 18 to Purchase Tobacco Products
& 21 to Purchase Alcohol**

MONTGOMERY COUNTY DHHS, TOBACCO USE PREVENTION AND CESSATION PROGRAM &
MONTGOMERY COUNTY DEPARTMENT OF LIQUOR CONTROL
BLC@MONTGOMERYCOUNTYMD.GOV



Paul Hill Discusses Special Orders

Spotlight

Montgomery County Department of Liquor Control's Liquor/Wine Special Order program is a wonderful example of how the department provides excellent service to the customer. Although the department stocks over 3,000 liquor and wine products and sizes, we recognize that there may be products we do not carry that our customers may wish to purchase, and therefore this program enables customers to order items that are not carried as stock. The current special order liquor/wine catalog has over 13,000 items listed, and the Department will research and obtain other products that are available especially for the customer without requiring a deposit or any special handling charges for the service. Limited-release wines and spirits are also handled through the special order warehouse to ensure we acquire maximum quantities available and that they are fairly distributed. The volume of business conducted under the Special Order program has increased nearly 25 percent in the past three years to 142,718 cases, with a wholesale value of \$17.5 million.

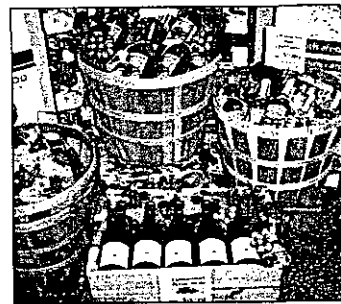
The Liquor and Wine Special Warehouse is run by Paul Hill, a 15-year veteran with the department, who began supervising the operation last year. In the year Mr. Hill has overseen the special order warehouse processes, he has ensured its smooth operation by paying strict attention to detail: areas are kept clean; the

checking/storing/delivery processes have been fine-tuned to ensure accurate and timely deliveries; follow-up on returns are completed in an accurate and timely manner; and high-end items are cordoned off in a secure area to ensure they are not accidentally damaged.

The Special Order program faces the dual challenges of balancing the high level of service that our customers expect and deserve with prudent business practices, such as customers placing orders with no deposits or no real obligation to buy, thereby resulting in an increased level of inventory and additional costs to the county. Paul and his crew conduct regular inventories to identify slow-moving limited-release items and returned special order cases. They also notify the retail operations manager and the purchasing specialists to either return unwanted cases to vendors or sell them through the system.

The Department of Liquor Control wishes to thank Paul for his dedication and the pride he takes in his work.

We hope that you, the reader, will appreciate this one example of the processes that the department implements to ensure customer satisfaction.



Paul Hill, warehouse assistant supervisor



Wholesale and Retail Operations

Wholesale and retail operations continue to be the backbone of the department, providing beverage alcohol wholesale distribution services to over 900 licensed establishments and operating 25 county-owned retail stores throughout Montgomery County. This impressive operation brought in over \$200 million in sales in FY 2007.

On the wholesale side, a 100 percent on-time delivery rate for customers who call in on time, adequate supplies of stock merchandise for immediate delivery, and the ability to research and quickly obtain special order items all contribute to the department's excellent customer service record.

This impressive operation brought in over \$200 million in sales in FY 2007

On the retail side, each store has well-defined product-selection strategies to ensure the stocking of popular items, including specialty and allocated items. Fair front-line pricing, competitive sales, experienced personnel with extensive product knowledge, and professional store appearance all contribute to the department's excellent customer service record.

In FY 2007 Retail Operations focused on updating older store locations with new floor and wall coverings, counters, and signage, in an effort to provide a pleasant shopping environment.

Retail Operations has also implemented a standardized retail store expectation checklist program, where regional managers routinely inspect stores for compliance to established standards and provide appropriate training to ensure that standards of service are maintained.

Evidence of success also appears in productivity gains that help offset increasing costs. Sales (millions) per retail associated clearly demonstrate that the department is doing more with the same level of resources.

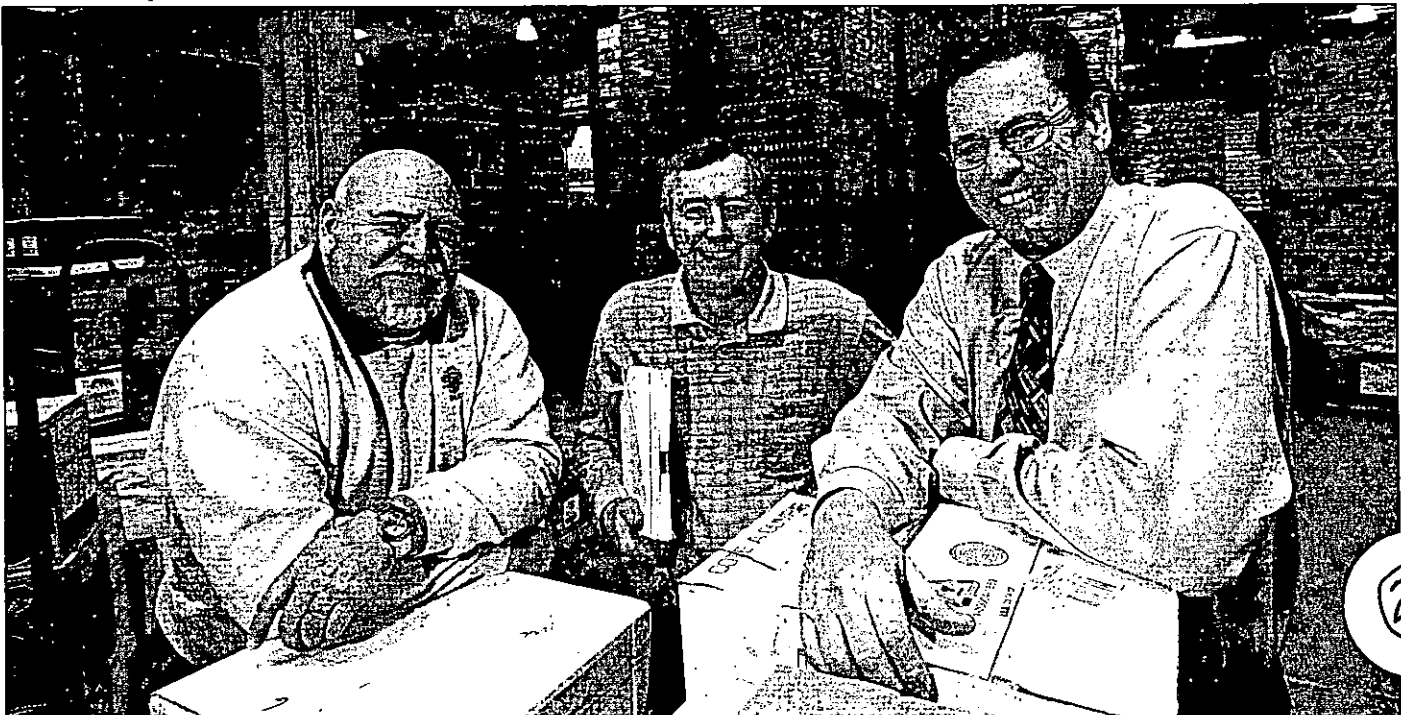


Diane Wurdeman, retail operations manager



Joe Thomasson, Supply Technician

From left: Kevin Linton, assistant warehouse operations manager; Gene Hanna, warehouse operations manager; and Gus Montes de Oca, chief of retail and wholesale operations



Customer Service Is a Top Priority

Spotlight

January

Dear Mr. Griffin,

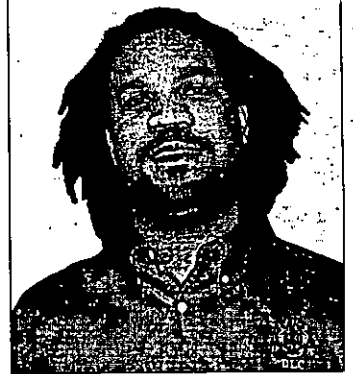
I just want to drop you a note to tell you of the exceptional service I received from one of your employees, Preston James. Having volunteered to make a batch of Wassail for a post-New Year's Holiday party, I headed over to the Muddy Branch Wine & Liquor store in hopes of buying several large bottles of Madeira wine, a key ingredient.

I had recently made a batch of this wine punch prior to Christmas and, realizing that Madeira is not a popular type of wine, I was worried that I would not be able to find enough to serve the 20 guests arriving that evening. Sure enough, there was some available of the size and brand which I had successfully used in my last batch, but I needed more. I dreaded the idea of having to drive around the county looking for liquor stores that would probably not have what I needed, but resigned myself to the task and asked Preston where the nearest wine store could be found.

To my amazement, he pulled out from under the counter a neatly bound thick computer printout and found a couple of nearby stores whose inventory indicated they had the exact product I was looking for. He then went to the telephone to call the stores to confirm it was in stock. Within a couple of minutes, he returned and presented me his business card with the Madeira wine product UPC label affixed to the back of it along with the printed address of the closest store's location. My jaw dropped in a combined state of euphoria, confusion, and gratitude. I profusely thanked him and left the store. Within 20 minutes I was back home cooking up my Wassail recipe.

Now this may be business as usual for you folks, but from the various places I have lived in my life, I have never seen this type of precise, targeted customer service and I wish to commend Preston James on his dedication to my quest, which led to a highly successful outcome and accolades of good wishes and cheers from my party guests. Thank you again, Preston!

Sincerely,
Mr. B. Blake



Preston James, assistant manager at the Muddy Branch Wine & Spirits shop, made sure that his customer could find a special wine for a holiday party



Store Locations

Auburn Avenue

4800 Auburn Avenue
Bethesda, MD 20814
Phone: 240-773-2006
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Burtonsville

15604 Columbia Pike
Burtonsville, MD 20866
Phone: 240-773-2007
Hours: Mon.-Sat. 10:00 a.m. to 8:00 p.m.

Cabin John

11301 Seven Locks Road
Potomac, MD 20854
Phone: 240-773-2005
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Chevy Chase Center

11 Wisconsin Circle
Chevy Chase, MD 20815
Phone: 240-773-2009
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Cloverly

723 Cloverly Avenue
Silver Spring, MD 20905
Phone: 240-773-2010
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Diamond Square

24 Bureau Drive
Gaithersburg, MD 20877
Phone: 240-773-2011
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Falls Grove

14937-E Shady Grove Road
Rockville, MD 20850
Phone: 240-773-2018
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Flower Avenue

8701 Flower Avenue
Silver Spring, MD 20901
Phone: 240-773-2056
Hours: Mon.-Sat. 10:00 a.m. to 8:30 p.m.

Gaithersburg

220 North Frederick Avenue
Gaithersburg, MD 20877
Phone: 240-773-2012
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Kensington

3733 University Boulevard
Kensington, MD 20895
Phone: 240-773-2013
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Kingsview

18323 Leaman Farm Road F-1
Germantown, MD 20874
Phone: 240-773-2014
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Leisure World

3824-26 International Drive
Silver Spring, MD 20906
Phone: 240-773-2015
Hours: Mon.-Thurs. 9:30 a.m. to 8:30 p.m.
Fri.-Sat. 9:30 a.m. to 9:00 p.m.

Milestone

20946 Frederick Road Unit D1
Germantown, MD 20876
Phone: 240-773-2016
Hours: Mon.-Sat. 10:00 a.m. to 10:00 p.m.

Montgomery Village

19233 Watkins Mill Road
Gaithersburg, MD 20760
Phone: 240-773-2017
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Montrose Crossing

12015-B Rockville Pike
Rockville, MD 20852
Phone: 240-773-2003
Hours: Mon.-Thurs. 10:00 a.m. to 9:00 p.m.
Fri.-Sat. 10:00 a.m. to 10:00 p.m.

Muddy Branch

866 Muddy Branch Road
Gaithersburg, MD 20878
Phone: 240-773-2057
Hours: Mon.-Sat. 10:00 a.m. to 10:00 p.m.

Olney

17825 Georgia Avenue
Olney, MD 20832
Phone: 240-773-2019
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Pike

832-836 Rockville Pike
Rockville, MD 20852
Phone: 240-773-2055
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Potomac

10132 River Road
Potomac, MD 20854
Phone: 240-773-2020
Hours: Mon.-Thu. 10:00 a.m. to 9:00 p.m.
Fri.-Sat. 9:00 a.m. to 9:00 p.m.

Silver Spring

8715 Colesville Road
Silver Spring, MD 20910
Phone: 240-773-2021
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Twinbrook

2090 Viers Mill Road
Rockville, MD 20851
Phone: 240-773-2022
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Walnut Hill

16535 South Frederick Road
Gaithersburg, MD 20855
Phone: 240-773-2004
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Westwood

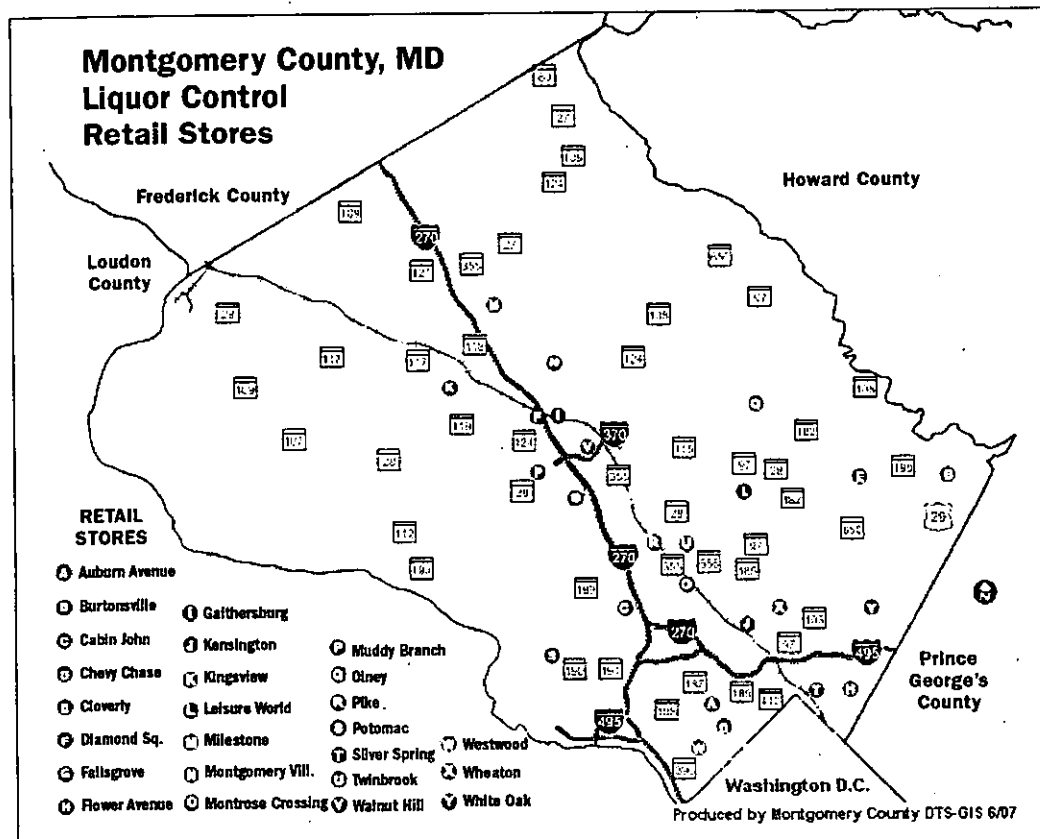
5432 Westbard Avenue
Bethesda, MD 20814
Phone: 240-773-2024
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

Wheaton

11407 Georgia Avenue
Silver Spring, MD 20902
Phone: 240-773-2025
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.

White Oak

11239 New Hampshire Avenue
Silver Spring, MD 20904
Phone: 240-773-2026
Hours: Mon.-Sat. 10:00 a.m. to 9:00 p.m.



Montgomery County Department of Liquor Control

Working the Way Our Community Wants Us to Work

Financial Information

The Department of Liquor Control has made a cumulative contribution of \$183.4 million to the county over the past 10 years. We are projecting an annual sales growth of 5 percent annually. The Department has exceeded its growth target and the contributing factors have been the high level of customer service satisfaction in its retail stores and wholesale delivery operations and the competitive prices offered to its customers. Restricting factors are an overall national trend that points to flattening beer and liquor consumption and a limited advertising strategy, which is a reflection of the county's role in this business operation.

The department's goal is to maintain a gross profit margin (cost of goods sold to sales) of 28 percent. Contributing factors are good management of product selection and inventory control, offering competitive prices and ensuring that the county's retail stores offer a rewarding retail experience. Restricting factors are in-house cost escalations such as funding negotiated compensatory expenses, which account for 65 percent of operating costs, and other fixed costs such as retail store leases, utilities, and transportation, which are rising well above the 5 percent increase in sales.



Chander Chadha, accountant/auditor



Jennifer Daniel, office services coordinator

Liquor Control has made a cumulative contribution of

\$183.4 million

to the County over the past 10 years



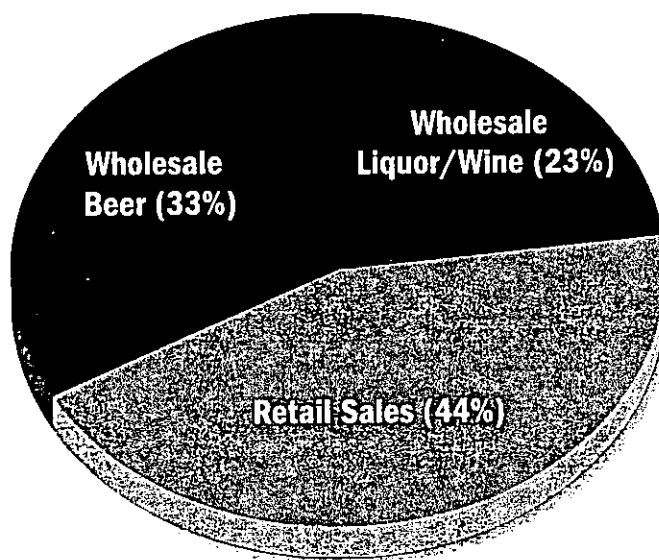
From left: Accounts Payable team: Marvin Henderson, Lynn Boyd, Debbie Callicutt, Manager Jim Kelley, Adela Kline, Lynne Oakes Babcock, and Sue Lang

Sales Allocation Information

Warehouse/Retail Sales

Liquor Control sells beer, wine, and liquor both as a wholesaler and a retailer. Of the \$201,721,589 total sales in FY 2007, 56 percent of the sales are attributed to wholesale operations, 44 percent to retail operation.

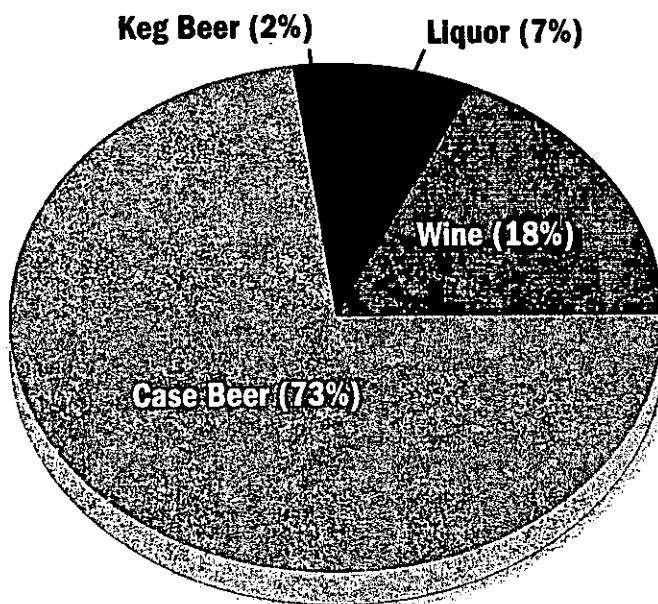
Percent of Sales Allocated Between Wholesale Liquor/Wine, Wholesale Beer and Retail



Case Depletion Information

Liquor Control sells liquor, wine, case beer, keg beer and non-alcohol products. Of 5,014,684 total cases/kegs of beverage alcohol sold in FY 2007, 7 percent were liquor, 18 percent wine, 73 percent case beer, 2 percent keg beer, and less than 1 percent non-alcohol products.

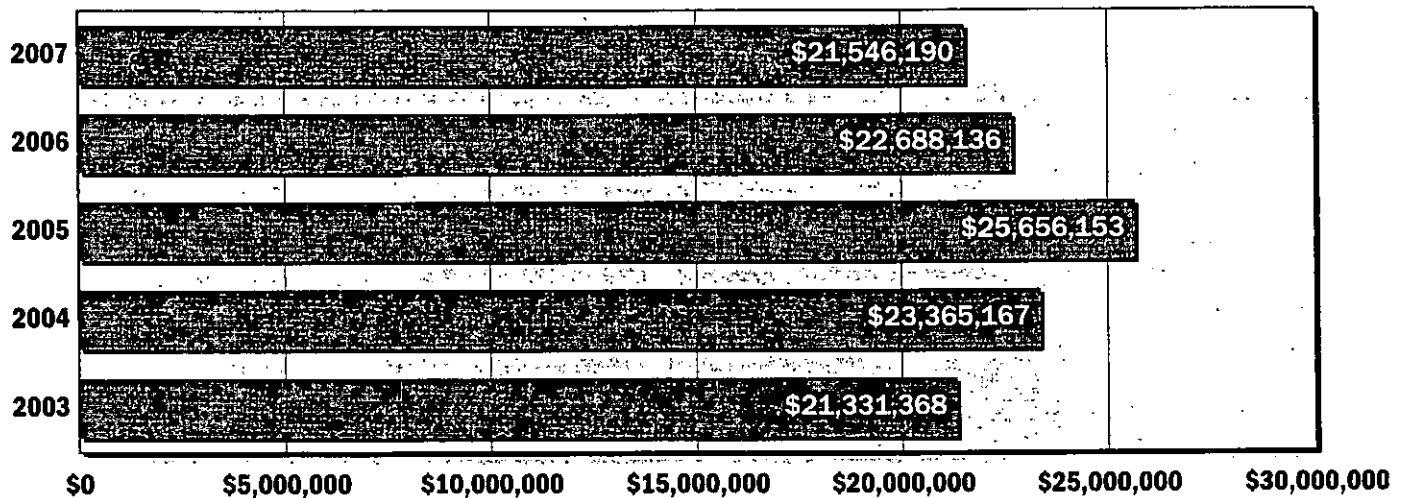
Percent of Case Depletions by Category



Results of Operations

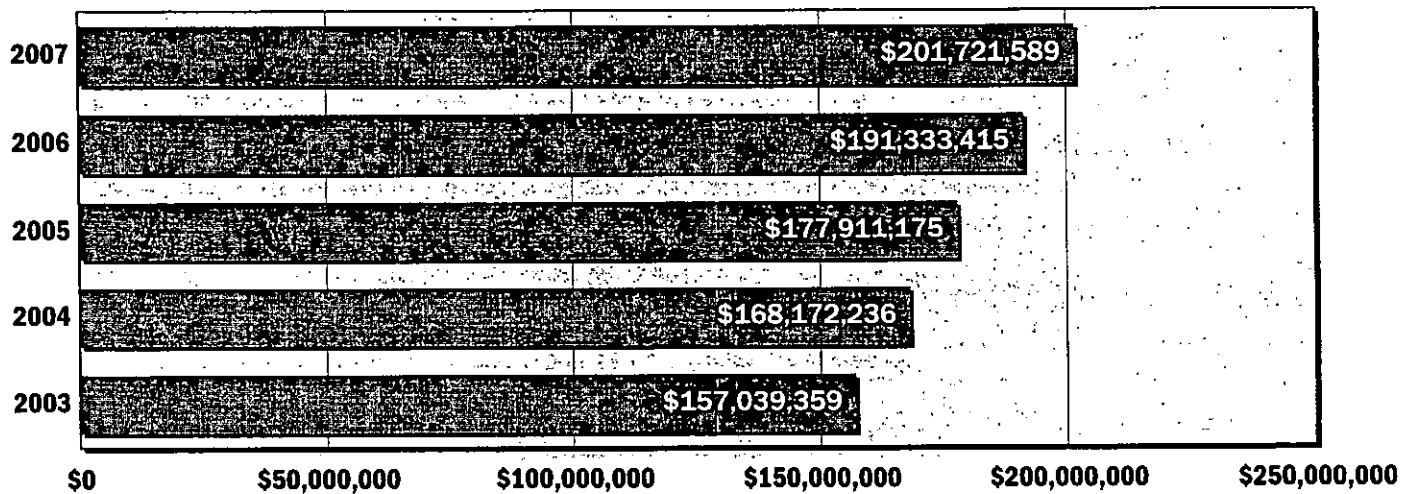
Liquor Control's income in FY 2007 was \$21,546,190.

Net Income, 2003-2007



Liquor Control's sales from continuing operations in FY 2007 were \$201,721,589.

Net Sales, 2003-2007



Robert Taylor and Ed Brown checking in kegs



Sales Allocation Information

Retail vs. Wholesale Sales, 2002-2007 (Dollars in Millions)

Category	2002	2003	2004	2005	2006	2007
Wholesale	\$89.8	\$91.5	\$97.1	\$101.1	\$107.7	\$111.8
Retail	60.2	65.5	71.0	76.8	83.6	89.9
TOTAL	\$150.0	\$157.0	\$168.1	\$177.9	\$191.3	\$201.7

Annual Cases/Kegs Shipped from Warehouse, 2002-2007 (Numbers in Millions)

Category	2002	2003	2004	2005	2006	2007
10 County Stores	686	734	772	808	844	884
10-licensed Establishments	3,945	3,890	4,026	4,027	4,149	4,130
TOTAL	4,631	4,624	4,798	4,835	4,993	5,014

Carl Lancaster, equipment operator

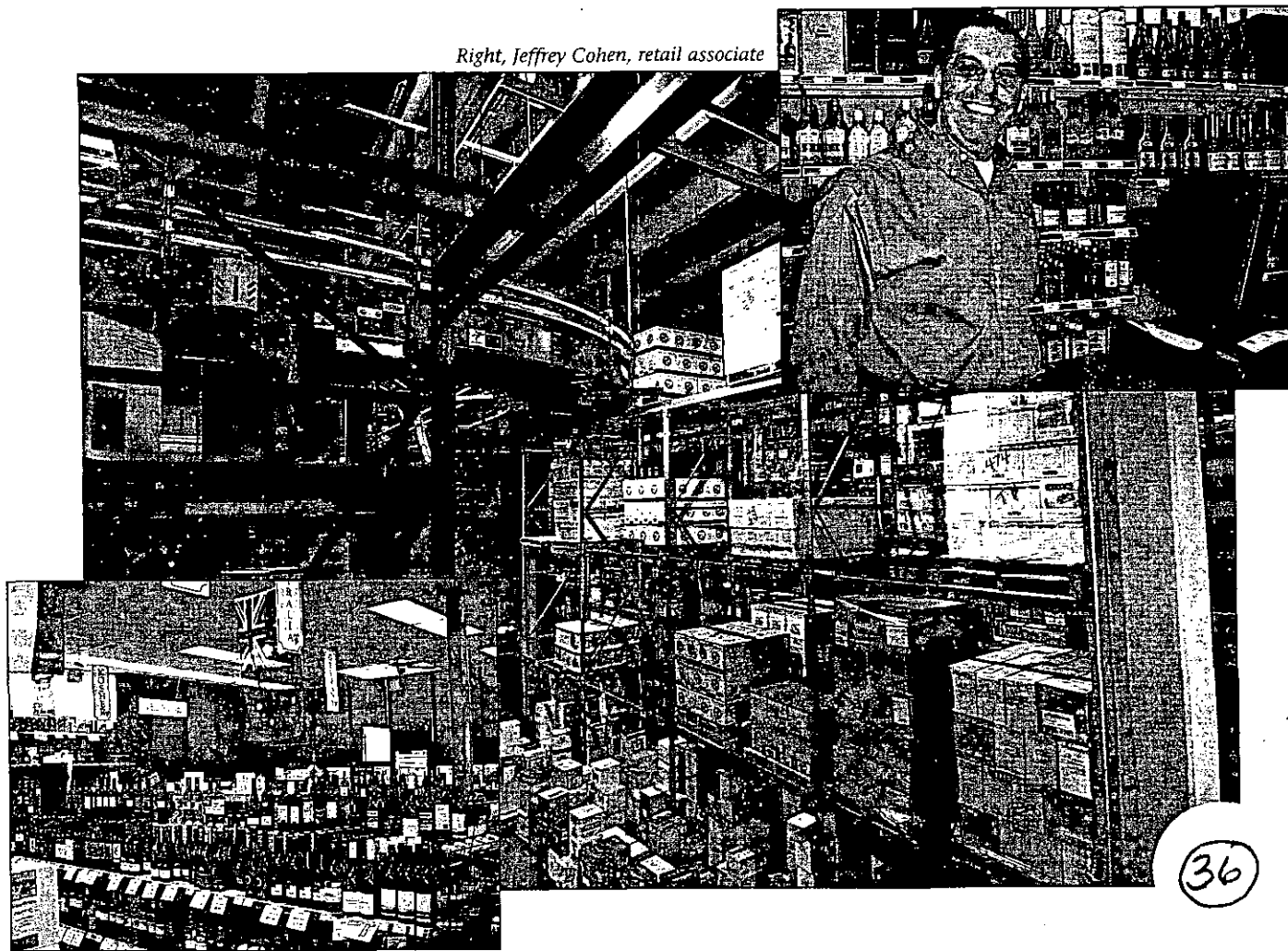


Sales in Total and By Division

Sales Analysis, FY 1998–2007

Fiscal Year	Total Sales	% Change	Retail Sales	% Change	Warehouse Total Sales	% Change	Warehouse Beer Sales	% Change	Warehouse Liquor/Wine	% Change
2007	\$201,721,589	5.43%	\$89,859,669	7.45%	\$111,861,920	3.86%	\$66,154,446	2.17%	\$45,707,474	6.41%
2006	\$191,333,415	7.54%	\$83,628,976	8.86%	\$107,704,439	6.55%	\$64,752,051	5.99%	\$42,952,388	7.39%
2005	\$177,911,175	5.79%	\$76,823,377	8.16%	\$101,087,798	4.06%	\$61,089,995	2.62%	\$39,997,803	6.33%
2004	\$168,172,236	7.09%	\$71,024,249	8.41%	\$97,147,987	6.14%	\$59,530,471	5.61%	\$37,617,516	6.99%
2003	\$157,039,359	4.63%	\$65,512,134	8.75%	\$91,527,225	1.87%	\$56,366,974	-0.21%	\$35,160,251	5.40%
2002	\$150,085,202	6.69%	\$60,242,390	8.74%	\$89,842,812	5.36%	\$56,484,764	6.18%	\$33,358,048	3.99%
2001	\$140,675,770	6.74%	\$55,400,821	10.12%	\$85,274,949	4.66%	\$53,197,445	5.02%	\$32,077,504	4.08%
2000	\$131,788,958	9.04%	\$50,311,184	8.85%	\$81,477,774	9.15%	\$50,656,949	6.36%	\$30,820,825	14.09%
1999	\$120,863,585	5.30%	\$46,219,153	6.46%	\$74,644,432	4.59%	\$47,629,393	4.62%	\$27,015,039	4.54%
1998	\$114,783,438	3.28%	\$43,416,172	5.51%	\$71,367,266	1.96%	\$45,524,534	-0.09%	\$25,842,732	5.78%

Right, Jeffrey Cohen, retail associate



Net Sales by Cost Center as of June 30, 2007 and 2006

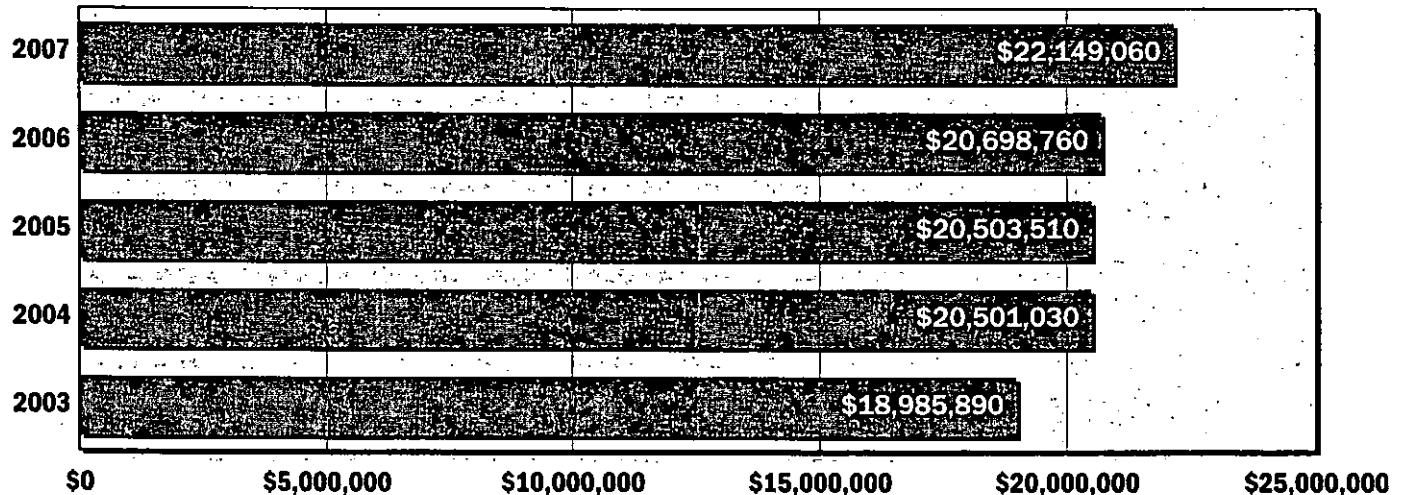
Category		2007	2006	Increase/Decrease	% Change
RETAIL STORES	Aluminum	3,836,451	\$3,170,340	666,111	21.01%
	Brick	2,711,656	2,390,093	321,563	13.45%
	Clay	3,560,747	3,232,934	327,813	10.14%
	Concrete	1,240,569	2,173,738	(933,169)	-42.93%
	Granite	2,585,290	2,221,839	363,451	16.36%
	Marble	1,569,115	1,572,853	(3,738)	-0.24%
	Quartz	3,609,932	3,057,167	552,765	18.08%
	Stone	1,929,657	1,809,132	120,525	6.66%
	Tile	1,562,523	1,497,717	64,806	4.33%
	Wood	4,036,436	3,908,768	127,668	3.27%
	Yard	3,680,493	3,393,541	286,952	8.46%
	Other	3,320,000	3,172,474	147,526	4.65%
	Unlabeled	5,879,093	5,598,891	280,202	5.00%
	Unlabeled	3,074,588	2,944,236	130,352	4.43%
	Unlabeled	5,848,560	5,152,206	696,354	13.52%
	Unlabeled	5,710,579	5,217,220	493,359	9.46%
	Unlabeled	4,851,566	4,545,078	306,488	6.74%
	Unlabeled	4,083,714	3,734,166	349,548	9.36%
	Unlabeled	5,543,473	5,030,567	512,906	10.20%
	Unlabeled	3,711,596	3,204,826	506,770	15.81%
	Unlabeled	2,145,608	2,040,983	104,625	5.13%
	Unlabeled	3,149,066	3,073,583	75,483	2.46%
	Unlabeled	5,756,446	5,351,996	404,450	7.56%
	Unlabeled	3,151,698	3,032,164	119,534	3.94%
	Unlabeled	3,310,813	3,102,464	208,349	6.72%
RETAIL STORE TOTAL		\$89,859,669	\$83,628,976	\$6,230,693	7.45%
WAREHOUSES	Warehouse	66,154,446	61,089,995	5,064,451	8.29%
	Warehouse	45,707,474	39,997,803	5,709,671	14.27%
	WAREHOUSE TOTAL	\$111,861,920	\$101,087,798	\$10,774,122	10.66%
GRAND TOTAL		\$201,721,589	\$184,716,774	\$17,004,815	9.21%

General Fund Transfers

After paying all expenses and retaining a small amount of operating capital, Liquor Control transfers profits to the General Fund of Montgomery County, Maryland to assist in paying for important citizen services.

In FY 2007 Liquor Control transferred over \$22 million (\$22,149,060) to the General Fund. Transfers in the last 10 years have amounted to over \$183 million (\$183,472,133).

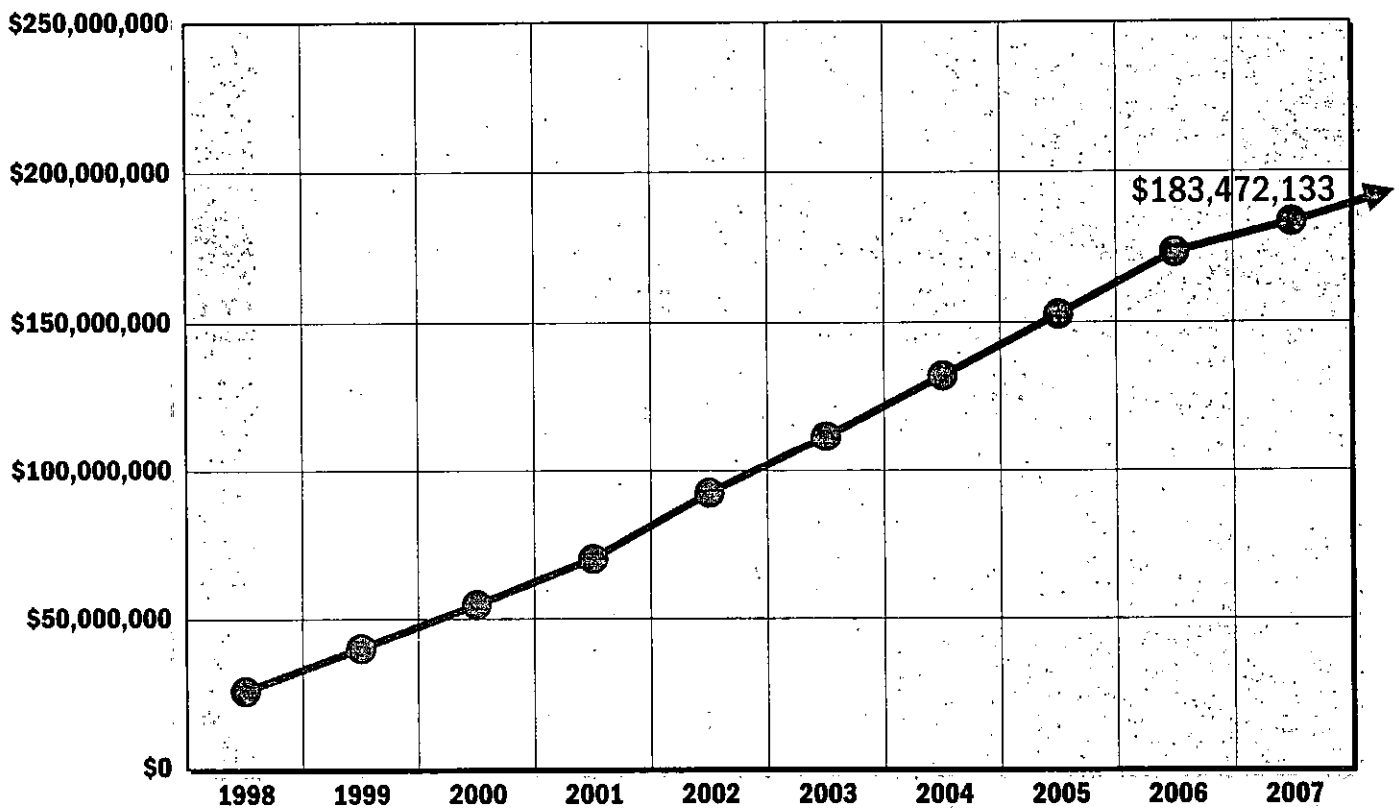
Transfers to General Fund, 2003–2007



Although Liquor Control does not designate how the funds that are transferred to the General Fund are used, \$22.1 million—which was the amount transferred in FY 2007—would cover the salaries of approximately 350 new public school teachers, 290 County police officers, or 325 new firefighters.

Cash Transfers to the General Fund

Year	Amount of Transfer per Year	Cumulative Transfer, 1998-2007
2007	\$22,149,060	\$183,472,133
2006	\$20,698,760	\$161,323,073
2005	\$20,503,510	\$140,624,313
2004	\$20,501,030	\$120,120,803
2003	\$18,985,890	\$99,619,773
2002	\$22,334,790	\$80,633,883
2001	\$15,430,683	\$58,299,093
2000	\$14,590,410	\$42,868,410
1999	\$14,328,000	\$28,278,000
1998	\$13,950,000	\$13,950,000

Cumulative Transfers to the General Fund, 1998-2007



To prepare the department for success in 2008 and beyond, the Department of Liquor Control intends to focus its efforts on operational effectiveness such as maintaining an optimum balance between sales, purchases, and inventory levels. Maintaining an optimum balance will ensure that the department will be able to achieve its goal of a 28 percent gross profit margin ratio.

The department will continue to emphasize customer service by performing routine inspections of its stores, evaluating stores based on an established set of criteria, and providing regular product knowledge seminars to its retail staff.

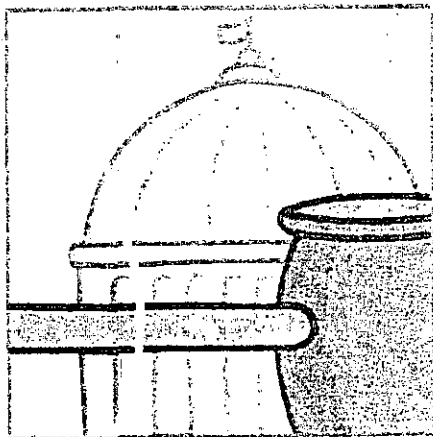
The department plans to provide a six-week training course in wine knowledge and customer service to all retail merit employees as well as the purchasing staff. The class provides 18 hours of classroom training taught by Robert Cavanaugh, who holds certifications from the Windows on the World Wine Academy in New York, The Wine and Spirits Education Trust of London (WSET), and The Court of Master Sommeliers.

To better serve our growing county, the department would like to open two to four additional stores in the next three years. The number of county-owned retail stores has not increased in proportion to an increase in the county population. The upper region of the County, which has seen the most recent growth, is now underserved.

The Division of Licensure, Regulation, and Education, in collaboration with the Department of Police Alcohol Unit and in partnership with private businesses seeks to improve the number of inspections performed and increase the knowledge of licensees with respect to the laws governing the sale of alcohol and tobacco products.

The department intends to engage a private consultant to help refine the wholesale customer satisfaction survey, which has experienced a historically low response.





Effectiveness of Bans and Laws in Reducing Traffic Deaths

Legalized Sunday Packaged Alcohol Sales and Alcohol-Related Traffic Crashes and Crash Fatalities in New Mexico

Garnett P. McMillan, PhD, and Sandra Lapham, MD, MPH

We determined the relative risk of alcohol-related motor vehicle accidents and fatalities after New Mexico lifted its ban on Sunday packaged alcohol sales.

We extracted all alcohol-related crashes from New Mexico police reports for 3652 days between July 1, 1990, and June 30, 2000, and found a 29% increase in alcohol-related crashes and a 42% increase in alcohol-related crash fatalities on Sundays after the ban on Sunday packaged alcohol sales was lifted. There was an estimated excess of 543.1 alcohol-related crashes and 41.6 alcohol-related crash fatalities on Sundays after the ban was lifted.

Repealing the ban on Sunday packaged alcohol sales introduced a public health and safety hazard in New Mexico. (*Am J Public Health*. 2006;96:1944-1948. doi:10.2105/AJPH.2005.069153)

Alcohol availability policy has been the subject of many legislative sessions at all levels of government. Laws have modified the legal minimum drinking age, hours and days of on- and off-premise liquor sales, and types of liquor licenses.¹⁻³ Under pressure

from the alcohol industry, and in need of increasing tax revenue in the face of budget shortfalls, many state legislatures have repealed, or are considering repealing, bans on Sunday alcohol sales. Eighteen states currently have some form of ban on Sunday alcohol sales, and several states have lifted bans since 1998.⁴ Sunday packaged alcohol sales have been legalized despite little formal evaluation of the public health and public safety impacts of increased alcohol availability on Sundays.

It was illegal to sell packaged alcohol on Sundays in New Mexico until July 1, 1995. Up to that time, alcohol could be purchased only by the drink for consumption in bars and restaurants. House Bill 176, which allowed special licenses to be issued for selling packaged alcohol between noon and midnight on Sundays, was introduced during New Mexico's first legislative session of 1995. Political leaders recognized that there was strong public support for reducing rates of alcohol-related crashes and alcohol-related crash fatalities. To help promote House Bill 176 to legislators, advocates for the bill argued that legalizing Sunday

packaged alcohol sales would actually reduce alcohol-related crash and alcohol-related crash fatality rates by diverting alcohol consumption from bars to homes. The rationale for this argument was that this would eliminate the need for people to drive home impaired, because the ban on packaged sales forced them to buy alcohol by the drink at bars on Sunday for on-site consumption rather than buying packaged alcohol for consumption at home. House Bill 176 narrowly passed House (37 to 25) and Senate (18 to 11) votes and was signed by then-governor Gary Johnson. Starting on July 1, 1995, licensed stores in New Mexico began selling packaged alcohol between noon and midnight on Sundays.

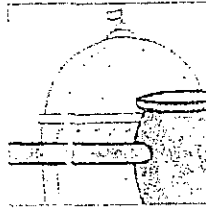
Previous studies suggested that extending the hours and days of alcohol sales is associated with increased alcohol-related problems, including alcohol intoxication among both casual and heavy users, driving while impaired, alcohol-related crashes, and alcohol-related crash fatalities.^{2,5-11} However, in New Mexico the purported goal was to reduce the frequency of driving while impaired by diverting

alcohol users away from bars. Whether legalized Sunday packaged alcohol sales were associated with a change in alcohol-related crashes or alcohol-related crash fatalities was unknown. To our knowledge, no formal evaluation of the consequences of repealing the Sunday sales ban in New Mexico, or any other state, has been published. The 1995 repeal of the Sunday packaged alcohol ban in New Mexico provided a "natural experiment" for evaluating the public health and public safety impact of legislation that increases alcohol availability on Sundays.

METHODS

Study Sample

All alcohol-related motor vehicle crashes that occurred in New Mexico between July 1, 1990, and June 30, 2000, equivalent to 3652 days of observation, were included in the analysis. All crash data were extracted from the accident-level analysis files maintained by the University of New Mexico Division of Government Research. The information found in the accident-level analysis file was derived from uniform accident reports, which police



officers completed for reported crashes on public roadways that resulted in death, personal injury, or \$500 or more in property damage, according to the investigating officer's judgment. No account was kept of unreported crashes or crashes on private property.

The reporting officer noted the estimated time of the crash and the cross-street, address, or mile marker where the incident occurred. The reporting officer also recorded the number of deaths occurring at the scene of the accident. Nonfatal crashes were classified as alcohol related according to the evaluation of the reporting police officer. Fatal crashes were classified as alcohol related if the blood alcohol concentration of any involved driver was greater than 0.0%. A small number of crashes involved intoxicated bicyclists, who were not distinguished from drunk drivers in this data set. All information used in this analysis was available as public record.

The uniform crash report data are used by the National Highway and Traffic Safety Administration fatality analysis reporting system. These data incorporate a sophisticated multiple-imputation algorithm for estimating alcohol involvement in each crash, which improves comparability across states. Because we were interested in nonfatal crashes, which were not reported in the fatality analysis reporting system, as well as fatal crashes, we used the New Mexico data for this analysis.

All crashes were classified according to occurrence before or after the legalization of Sunday

packaged alcohol sales on July 1, 1995. *Prerepeal* denotes all crashes that occurred between July 1, 1990, and June 30, 1995. *Postrepeal* denotes all crashes that occurred between July 1, 1995, and June 30, 2000. Crashes also were classified according to the day of the week on which they occurred. Because the effect of alcohol availability on any given day may affect drinking and driving behavior on the following morning, each day of the week was defined from noon on the day in question until 11:59 AM the following day. For example, all crashes that occurred between noon on Saturday until 11:59 AM on Sunday morning were defined as Saturday crashes. The noon cutoff is appropriate for this study because the New Mexico legislation allows Sunday packaged alcohol sales to begin after noon on Sundays. This definition of the day of the week allows us to explicitly test the effects of Sunday sales legislation on Sunday daytime, Sunday nighttime, and early Monday morning alcohol-related motor vehicle crashes, as well as on other days of the week.

Data Analysis

The alcohol-related crash and alcohol-related crash fatality data were modeled using the classic decomposition of the time series into trend and seasonal components and testing for temporal autocorrelation in the residuals.¹² The approach naturally fits the analysis into the framework of generalized linear models.¹³

Poisson regression models were fit to the observed daily alcohol-related crash and

alcohol-related crash fatality counts to test the effects of legalizing Sunday packaged alcohol sales on alcohol-related crash and alcohol-related crash fatality rates, after adjustment for secular and seasonal trends in crash rates and high-risk alcohol-related crash-associated holidays. Alcohol-related crash and alcohol-related crash fatality counts were modeled separately.

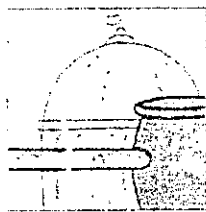
Independent variables included a 7-level day-of-the-week factor, a binary pre- and postrepeal indicator, and day-of-the-week by pre- and postrepeal interaction terms. The interaction term estimates the day-of-the-week-specific effects of repealing the ban on Sunday packaged alcohol sales on alcohol-related crash and alcohol-related crash fatality rates. A binary indicator for each of the following holidays identified as high-risk crash dates¹⁴⁻¹⁶ was added to the model: New Year's Eve, Independence Day, Memorial Day, Labor Day, Thanksgiving, Christmas, Super Bowl Sunday, and Cinco de Mayo. Binary indicators for the Eve of Thanksgiving Day, the Eve of Independence Day, St. Patrick's Day, and Halloween also were added because they were associated with large positive residuals in the regression analyses.

Secular trends in alcohol-related crash or alcohol-related crash fatality rates were modeled with an unpenalized quadratic spline function, and the number of knots and knot spacing were chosen according to an algorithm previously described.¹⁷ Between 1 and 35 knots were placed at

quantiles of the observation period so that there was a constant number of days between each knot. The final number of knots for the alcohol-related crash and alcohol-related crash fatality models was chosen to minimize Akaike's information criterion.

Annual and biannual seasonal fluctuations in alcohol-related crash and alcohol-related crash fatality rates were modeled with a mixture of Fourier series with 12-month (annual) and 6-month (biannual) periods.¹⁸ The dispersion parameter in the Poisson model was estimated as the ratio of the model deviance to the model degrees of freedom. Model fit was evaluated by examining plots of the likelihood residuals against each predictor, plots of the leverages against the likelihood residuals, and plots of predicted and observed alcohol-related crash and alcohol-related crash fatality counts.

The modeling framework described so far assumes that the daily alcohol-related crash or alcohol-related crash fatality counts were independent Poisson random variables, which may not be appropriate if there is temporal autocorrelation in the residuals. Although it was not expected that alcohol-related crash and alcohol-related crash fatality counts were physically dependent on one another over time, we evaluated the possibility that the detrended alcohol-related crash and alcohol-related crash fatality residuals did not conform to white noise. Autocorrelation and partial autocorrelation functions of the likelihood residuals from the Poisson regression models



were plotted against lag time and examined for any autoregressive patterning. We also computed the Ljung–Box Q statistic to test the null hypothesis that none of the autocorrelations up to a lag of 30 days was significantly different from zero. Finally, we fit a first-order Markov model to the alcohol-related crash and alcohol-related crash fatality counts, with the same predictors described previously, and tested the statistical significance of the autoregressive parameter.¹⁹

Because of a database error that occurred after the New Mexico Motor Vehicles Division converted to a new computer system, approximately 15% of 1999 nonfatal motor vehicle crashes were randomly deleted from the New Mexico crash database.²⁰ Crash rates thus appeared artificially reduced during 1999. A data correction factor for crash rates in 1999 was introduced into the regression analyses as a binary 1999 indicator to control for this database error on crash rates. This indicator proved to be superfluous in the final analyses, because the regression spline accounted for the drop in crash frequencies during 1999.

The results of the Poisson regression analysis were used to estimate the excess (or reduction) in alcohol-related crash and alcohol-related crash fatality frequency that occurred after the ban on Sunday packaged alcohol sales was repealed. This was accomplished by computing the sum of the Poisson model–predicted alcohol-related crash and alcohol-related crash fatality counts from July 1, 1995, to

June 30, 2000, without the legislative change variables, and subtracting this from the sum of the Poisson model predictions with the legislative change variables included.

Differences greater than zero indicate an excess number of alcohol-related crashes or alcohol-related crash fatalities between July 1, 1995, and June 30, 2000, compared with what might have occurred had the Sunday sales ban not been lifted. Differences less than zero indicate a reduction in alcohol-related crashes or alcohol-related crash fatalities. The 95% confidence interval for the excess/reduction statistic was computed from the covariance matrix of the parameter estimates with use of the delta method.²¹ Model reduction was performed to reduce the standard error of the excess/reduction statistic caused by having superfluous independent variables in the model. This was accomplished by removing confounding effects for which the drop in deviance after omission was not significant at the .1 level.

Poisson regression models also were fit to the non-alcohol-related crash rates with use of the modeling framework described previously. This analysis was performed to ensure that changes in alcohol-related crash rates were not simply attributable to background patterns of motor vehicle crash risks.

Computation

All database management and analysis were performed with SAS software.²² Poisson models were fit with PROC GENMOD,

and Markov models were fit with PROC NL MIXED. Autocorrelation function and partial autocorrelation function plots and the white noise test statistic were generated with PROC ARIMA. SAS/IML was used to compute point estimates and 95% confidence intervals for the excess/reduction statistics.

RESULTS

There were 492 396 motor vehicle crashes during the observation period, and 45 596 of these were classified as alcohol involved. The average daily alcohol-related crash rate for the study period was 12.9 crashes per day (SD=6.78). The following variables were retained in the Poisson model of alcohol-related crash counts after backward elimination: a 29-knot quadratic spline for trend, biannual seasonal cycle, New Year's Eve, In-

dependence Day, St. Patrick's Day, Halloween, Cinco de Mayo, Super Bowl Sunday, Christmas, Thanksgiving Eve, and Independence Day Eve. The 29-knot spline was chosen using Akaike's information criterion, although spline functions with at least 18 knots gave similar results. There was a 29% pre- to postrepeal increase in alcohol-related crash rates on Sundays (95% confidence interval [CI]=1.05, 1.58), after adjustment for these confounding effects (Table 1). All other days of the week showed relative alcohol-related crash risks near unity.

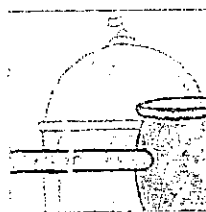
Likelihood residual analyses indicated no gross deviations in model fit. The Ljung–Box test on the likelihood residuals was not statistically significant ($P=.11$). There was no patterning in the autocorrelation function or partial autocorrelation function plots, and none of the lagged

TABLE 1—Relative Risks of Alcohol-Related Crash and Alcohol-Related Crash Fatality After the Ban on Sunday Packaged Alcohol Sales Was Lifted: New Mexico, 1990–2000

	Relative Risk* (95% Confidence Interval)	
	Alcohol-Related Crash	Alcohol-Related Crash Fatality
Sunday	1.29 (1.05, 1.58)	1.42 (1.05, 1.93)
Monday	1.00 (0.81, 1.22)	1.03 (0.75, 1.42)
Tuesday	1.10 (0.90, 1.35)	1.17 (0.83, 1.65)
Wednesday	0.97 (0.79, 1.19)	1.05 (0.76, 1.44)
Thursday	1.05 (0.86, 1.29)	1.08 (0.80, 1.47)
Friday	0.97 (0.80, 1.19)	1.04 (0.81, 1.33)
Saturday	1.02 (0.84, 1.24)	1.07 (0.84, 1.36)

*Adjusted for a 29-knot quadratic spline for trend, biannual seasonal cycle, New Year's Eve, Independence Day, St. Patrick's day, Halloween, Cinco de Mayo, Super Bowl Sunday, Christmas, Thanksgiving Eve, and Independence Day Eve.

†Adjusted for linear trend effect, annual seasonal cycle, New Year's Eve, Halloween, Independence Day, Thanksgiving Eve, Independence Day Eve, and Thanksgiving.



correlations exceeded 0.05. The autoregressive parameter for the first-order Markov model was 0.01 ($P=.42$), indicating no significant autoregressive effect.

During the study period, there were 4620 motor vehicle crash fatalities, of which 2341 were from crashes that involved alcohol. The overall average daily alcohol-related crash fatality rate during the study period was 0.65 deaths per day ($SD=0.98$). The following variables were retained in the Poisson model of alcohol-related-crash fatality counts after backward elimination: linear trend effect, annual seasonal cycle, New Year's Eve, Halloween, Independence Day, Thanksgiving Eve, Independence Day Eve, and Thanksgiving. Sunday was the only day of the week on which a statistically significant change in alcohol-related crash fatality rates occurred (Table 1) after adjustment for trend, seasonal, and holiday effects. Alcohol-related crash fatality rates on Sunday increased by 42% (95% $CI=1.05, 1.93$). Likelihood residual analysis showed no systematic lack of fit of the Poisson model. The Ljung-Box test was not statistically significant ($P=.18$), and the autocorrelation function and partial autocorrelation plots indicated no patterning or autocorrelations greater than 0.05. The autoregressive parameter for the first-order Markov model was 0.09 ($P=.53$), indicating no statistically significant autoregressive effect at the 0.05 level.

Poisson regression models fit to the non-alcohol-related crash frequencies yielded relative crash rates between 0.90 on Saturday

and 0.98 on Thursday. No relative risks of non-alcohol-related crashes were statistically significant at the .05 level for any day of the week, including Sunday.

The Poisson regression model was used to estimate the mean daily excess or reduction in alcohol-related crashes associated with repealing the ban on Sunday packaged alcohol sales (Table 2). The highest excess occurred on Sundays, with an estimated 543.1 (95% $CI=158.9, 927.4$) additional alcohol-related crashes between July 1, 1995, and June 30, 2000. The largest reduction in alcohol-related crashes was on Friday (-117.9), but this was not significantly different from zero (95% $CI=-1003.2, 767.3$). No day of the week other than Sunday showed a statistically significant excess or reduction in alcohol-related crash frequency.

Table 2 also shows the estimated difference in the number of alcohol-related crash fatalities associated with lifting the ban on Sunday packaged alcohol sales. All days of the week had excess

alcohol-related crash fatality counts, but none of these except Sunday were statistically significant. There were an extra 41.6 alcohol-related crash fatalities on Sundays (95% $CI=6.6, 76.6$) between July 1, 1995, and June 30, 2000.

DISCUSSION

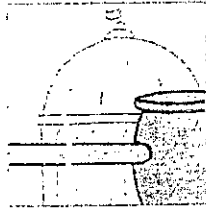
The analysis of alcohol-related crash rates clearly demonstrates a rise in both alcohol-related crashes and alcohol-related crash fatalities occurring between noon on Sunday and noon on Monday, after the ban on Sunday packaged alcohol sales was lifted. The 29% increase in Sunday alcohol-related crash rates resulted in an estimated excess of 543.1 alcohol-related motor vehicle crashes between July 1, 1995, and June 30, 2000, over what would have been observed had the ban not been repealed. There was a 42% pre- to postrepeal increase in the Sunday alcohol-related crash fatality rate, resulting in an excess of 41.6 fatalities attributable to repealing the ban on Sunday

packaged alcohol sales (95% $CI=6.6, 76.6$). No other day of the week showed any statistically significant change in alcohol-related crashes or alcohol-related crash fatalities. Furthermore, the analysis of non-alcohol-related crash rates indicates that relative crash rates on Sundays cannot be attributed to background trends in crash risks.

Some limitations are apparent. The reporting police officer classified nonfatal crashes as alcohol involved or not alcohol involved. There has been some debate about the accuracy of such reporting^{23,24} because the designation often relies on the subjective judgment of the reporting police officer. Some researchers have suggested that investigators use single-vehicle nighttime crashes as a proxy measure of alcohol-related crashes and alcohol-related crash fatalities.²⁵ This tactic, however, did not allow us to estimate the true impact of repealing the ban on the number of alcohol-related crashes and alcohol-related crash fatalities (Table 2), which is of primary concern to state legislators. The issue is of less concern, however, because it has been shown that police-reported rates of alcohol involvement and rates of single-vehicle nighttime crashes tend to be highly correlated.²⁶ Furthermore, a recent study using the New Mexico crash data to investigate drive-up liquor window closure on crash rates in New Mexico found no difference in any results whether one considered single-vehicle nighttime or all alcohol-related

TABLE 2—Estimated Excess or Reduction in Rates of Alcohol-Related Crashes and Alcohol-Related Crash Fatalities Between July 1, 1995, and June 30, 2000: New Mexico

	Excess or Reduction (95% Confidence Interval)	
	Alcohol-Related Crash	Alcohol-Related Crash Fatality
Sunday	543.1 (158.9, 927.4)	41.6 (6.6, 76.6)
Monday	-5.8 (-392.1, 380.5)	3.1 (-29.7, 35.9)
Tuesday	184.5 (-199.2, 568.2)	13.9 (-15.6, 43.3)
Wednesday	-67.1 (-514.2, 380.0)	4.5 (-28.2, 37.2)
Thursday	121.7 (-355.7, 599.1)	9.9 (-26.4, 46.1)
Friday	-117.9 (-1003.2, 767.3)	8.0 (-46.6, 62.6)
Saturday	89.9 (-764.6, 944.5)	17.2 (-41.4, 75.8)



crashes.²⁰ Analyses of driving-while-impaired citation data would help corroborate our findings. Moreover, there is no reason to believe that an error in police officer reporting would be biased only on Sundays and only after the ban on Sunday packaged alcohol sales was lifted. Even so, this limitation does not apply to fatal crash results for which alcohol involvement was determined by blood alcohol concentration.

Our results strongly suggest that increasing alcohol availability on Sunday was associated with increases in alcohol-related motor vehicle crashes and fatalities. Legalizing Sunday packaged alcohol sales may increase state tax revenues, but at the same time it exacts a significant price that is paid by crash victims and their loved ones, health care providers, insurers, and law enforcement and judicial systems. State legislators should consider these consequences when deciding on policy that is intended to serve the public well-being. ■

About the Authors

The authors are with the Behavioral Health Research Center of the Southwest, Albuquerque, NM.

Requests for reprints should be sent to Barbara Steenberg, Behavioral Health Research Center of the Southwest, 612 Encino Place NE, Albuquerque, NM 87102 (e-mail: bsteenberg@bhrcs.org).

This article was accepted November 10, 2005.

Contributors

G.P. McMillan was principle investigator for this study and was responsible for all database management, data analysis, and preparation for publication. S. Lapham was co-investigator of this study and assisted in preparation of the article.

Acknowledgments

This work was supported by the Robert Wood Johnson Foundation (grant 049668).

Steven Flint of the DWI Resource Center, Larry Layne of the University of New Mexico Division of Government Research, and Tim Hanson and Edward Bedrick of the University of New Mexico Department of Mathematics and Statistics provided valuable technical assistance for this work.

Human Participant Protection

This study was approved by the Behavioral Health Research Center of the Southwest institutional review board.

References

- Smart RG. Availability and the prevention of alcohol-related problems. In: Harford TC, Parker DA, Light L, eds. *Normative Approaches to the Prevention of Alcohol Abuse and Alcoholism*. Rockville, Md: National Institute on Alcohol Abuse and Alcoholism; 1980:123-146. Research monograph 3.
- Smith DI. Effectiveness of restrictions on availability as a means of preventing alcohol-related problems. *Contemp Drug Prob*. 1988;15:627-684.
- Smith DI. Effectiveness of restrictions on availability as a means of reducing the use and abuse of alcohol. *Aust Drug Alcohol Rev*. 1983;2:84-90.
- National Institute on Alcohol Abuse and Alcoholism. Bans on off-premise Sunday sales. National Institute on Alcohol Abuse and Alcoholism's Alcohol Policy Information System. 2004. 11-1-2004. Available at: <http://www.alcoholpolicy.niaaa.nih.gov>. Accessed October 14, 2004.
- Smith DI. Effect on traffic accidents of introducing Sunday alcohol sales in Brisbane, Australia. *Int J Addict*. 1988;23:1091-1099.
- Smith DI. Impact on traffic safety of the introduction of Sunday alcohol sales in Perth, Western Australia. *J Stud Alcohol*. 1978;39:1302-1304.
- Smith DI. Effect on casualty traffic accidents of changing Sunday alcohol sales legislation in Victoria, Australia. *J Drug Issues*. 1990;20:417-426.
- Smith DI. Effect on traffic accidents of introducing Sunday hotel sales in New South Wales, Australia. *Contemp Drug Probl*. 1987;14:279-294.
- Ligon J, Thyer BA. The effects of a Sunday liquor sales ban on DUI arrests. *J Alcohol Drug Educ*. 1993;38:33-40.
- Smith DI. Effect on casualty traffic accidents of the introduction of 10 pm Monday to Saturday hotel closing in Victoria. *Aust Drug Alcohol Rev*. 1988;7:163-166.
- Olsson O, Wikstrom PH. Effects of the experimental Saturday closing of liquor retail stores in Sweden. *Contemp Drug Probl*. 1982;11:325-353.
- Brockwell PJ, Davis RA. *Introduction to Time Series and Forecasting*. 2nd ed. New York, NY: Springer-Verlag; 2002.
- McCullagh P, Nelder JA. *Generalized Linear Models*. 2nd ed. London, England: Chapman & Hall; 1989.
- Liu C, Chen CL. *Time Series Analysis and Forecast of Crash Fatalities During Six Holiday Periods*. Washington, DC: National Center for Statistics and Analysis; 2004. Traffic Safety Facts Research Notes. DOT HS 809 718.
- Redelmeier DA, Stewart CL. Driving fatalities on Super Bowl Sunday. *N Engl J Med*. 2003;348:368-369.
- Carpenter C. Seasonal variation in self-reports of recent alcohol consumption: racial and ethnic differences. *J Stud Alcohol*. 2003;64:415-418.
- Ruppert D, Wand MP, Carroll RJ. *Semiparametric Regression*. Cambridge, England: Cambridge University Press; 2003.
- Stolwijk AM, Straatman H, Zielhuis GA. Studying seasonality by using sine and cosine functions in regression analysis. *J Epidemiol Community Health*. 1999;53:235-238.
- Zeger SL, Qaqish B. Markov regression models for time series: quasi-likelihood approach. *Biometrics*. 1988;44:1019-1031.
- Lapham SC, Gruenewald PJ, Remer L, Layne L. New Mexico's 1998 drive-up liquor window closure, study I: effect on alcohol-involved crashes. *Addiction*. 2004;99:598-606.
- Casella G, Berger LR. *Statistical Inference*. Belmont, Calif: Duxbury Press; 1990.
- SAS(R)/STAT User's Guide, Version 8. Cary, NC: SAS Institute; 2000.
- Mann RE, Anglin L. Alcohol availability, per capita consumption, and the alcohol-crash problem. In: Wilson RJ, Mann RE, eds. *Drinking and Driving: Advances in Research and Prevention*. New York, NY: Guilford Press; 1990:205-225.
- Ostrom M, Eriksson A. Single-vehicle crashes and alcohol: a retrospective study of passenger car fatalities in northern Sweden. *Accid Anal Prev*. 1993;25:171-176.
- Gruenewald PJ, Millar AB, Treno AJ, Yang Z, Ponicki WR, Roepke P. The geography of availability and driving after drinking. *Addiction*. 1996;91:967-983.
- Wagenaar AC. Alcohol consumption and the incidence of acute alcohol-related problems. *Br J Addict*. 1984;79:173-180.